

# **NAVAL POSTGRADUATE SCHOOL**

## **Monterey, California**



## **THESIS**

**ECONOMIC SANCTIONS: EFFECTIVENESS AS A  
FOREIGN POLICY TOOL IN THE CASE OF THE  
FORMER YUGOSLAVIA**

by

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December 1998

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19990122 103

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# REPORT DOCUMENTATION PAGE

Form Approved  
OMB No. 0704-0188

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington DC 20503.

1. AGENCY USE ONLY (Leave blank)	2. REPORT DATE	3. REPORT TYPE AND DATES COVERED	
	December 1998	Master's Thesis	
4. TITLE AND SUBTITLE <b>ECONOMIC SANCTIONS: EFFECTIVENESS AS A FOREIGN POLICY TOOL IN THE CASE OF THE FORMER YUGOSLAVIA</b>		5. FUNDING NUMBERS	
6. AUTHOR(S) Johnson, Jeffrey L.			
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Naval Postgraduate School Monterey, CA 93943-5000		8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES)		10. SPONSORING / MONITORING AGENCY REPORT NUMBER	
11. SUPPLEMENTARY NOTES The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.			
12a. DISTRIBUTION / AVAILABILITY STATEMENT Approved for public release; distribution is unlimited.		12b. DISTRIBUTION CODE	
13. ABSTRACT ( <i>maximum 200 words</i> )  Unwilling to use military force, the Western powers, acting through the UN Security Council, relied heavily on economic sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro) [referred to as FRY (S/M)] to end the war in Bosnia-Herzegovina. The breakup of the former Yugoslavia resulted in wars of secession in Slovenia, Croatia, and finally, Bosnia-Herzegovina. Warring factions divided themselves up along ethnic lines with the Serbians being labeled as the aggressors in the conflict. Economic sanctions were implemented against the FRY (S/M) in May 1992. Economic sanctions were devastating to the FRY (S/M) economy. By 1993, FRY (S/M) President Slobodan Milosevic indicated his support for the Vance-Owen Peace Plan in exchange for the lifting of economic sanctions. The Bosnian-Serbs failed to support the peace plan, resulting in the tightening of sanctions on the FRY (S/M). The intent of the tightened sanctions was to force Milosevic to represent the Bosnian-Serbs in future peace negotiations. This strategy worked as indicated by the signing of the Dayton Peace Accords in 1995, which ended the war in Bosnia-Herzegovina. This work examines the role economic sanctions had in ending that conflict. Recommendations are provided to policy makers regarding the future use of economic sanctions.			
14. SUBJECT TERMS Economic sanctions, embargo, foreign policy, Yugoslavia, Bosnia-Herzegovina, Federal Republic of Yugoslavia (Serbia and Montenegro), maritime interception.		15. NUMBER OF PAGES 167	
16. PRICE CODE			
17. SECURITY CLASSIFICATION OF REPORT Unclassified	18. SECURITY CLASSIFICATION OF THIS PAGE Unclassified	19. SECURITY CLASSIFICATION OF ABSTRACT Unclassified	20. LIMITATION OF ABSTRACT UL



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THE CASE OF THE FORMER YUGOSLAVIA**

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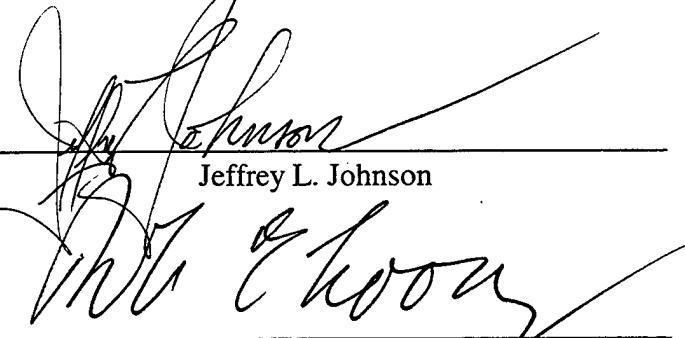
Submitted in partial fulfillment of the  
requirements for the degree of

**MASTER OF ARTS IN NATIONAL SECURITY AFFAIRS**

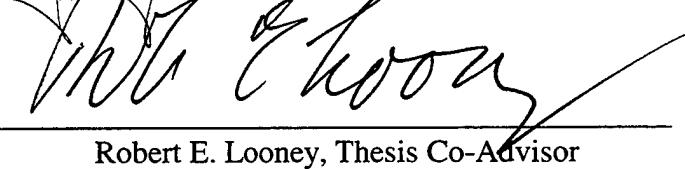
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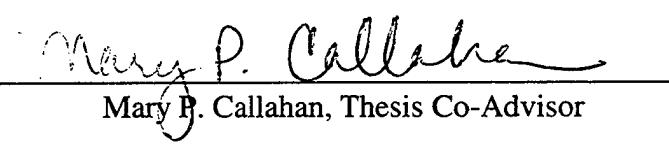
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## ABSTRACT

Unwilling to use military force, the Western powers, acting through the UN Security Council, relied heavily on economic sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro) [referred to as FRY (S/M)] to end the war in Bosnia-Herzegovina. The breakup of the former Yugoslavia resulted in wars of secession in Slovenia, Croatia, and finally, Bosnia-Herzegovina. Warring factions divided themselves up along ethnic lines with the Serbians being labeled as the aggressors in the conflict. Economic sanctions were implemented against the FRY (S/M) in May 1992. Economic sanctions were devastating to the FRY (S/M) economy. By 1993, FRY (S/M) President Slobodan Milosevic indicated his support for the Vance-Owen Peace Plan in exchange for the lifting of economic sanctions. The Bosnian-Serbs failed to support the peace plan, resulting in the tightening of sanctions on the FRY (S/M). The intent of the tightened sanctions was to force Milosevic to represent the Bosnian-Serbs in future peace negotiations. This strategy worked as indicated by the signing of the Dayton Peace Accords in 1995, which ended the war in Bosnia-Herzegovina. This work examines the role economic sanctions had in ending that conflict. Recommendations are provided to policy makers regarding the future use of economic sanctions.



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## **EXECUTIVE SUMMARY**

Economic sanctions have been used by nations to coerce other nations for many years. Throughout history, nations learned that restraints on trade could be a powerful, coercive policy instrument in modifying a target state's behavior. Today, the United Nations, acting through the Security Council (UNSC), can employ substantial economic pressure in order to curtail or deter the aggressive action of a target nation, however, they seldom did so during the Cold War years. Between 1945 and 1990, the UNSC imposed economic sanctions twice, against Rhodesia in 1966 and South Africa in 1977.

Since the Cold War, the world's major powers and the United Nations are increasingly using economic sanctions to achieve international political objectives. From 1991 to 1998, the U.N. Security Council imposed mandatory sanctions eight times, one of which was directed against the Federal Republic of Yugoslavia (Serbia and Montenegro) [or FRY (S/M)] in 1992. Due to their increased frequency, economic sanctions have resurfaced at the center of public policy debate. Some analysts maintain that sanctions are incapable of achieving significant results while other analysts state that under certain circumstances and conditions, sanctions are likely to succeed in altering the behavior of the target nation.

The available analysis regarding the former Yugoslavia case asserts economic sanctions were not effective in bringing about peace in the Balkans. These writings, however, were written prior to the end of the Bosnian conflict in 1995. With the ending of the conflict, as signified by the signing of the Dayton Peace Accord, a gap exists in the analysis of the role economic sanctions had in achieving policy goals in the former Yugoslavia. The aim of this thesis is to fill that gap in analysis by investigating the role sanctions played in ending the war and implementing the peace accord.

Sanctions penalize the target country for its undesired behavior. The theoretical basis for sanctions rest in rational-choice theory. The target country will weigh the costs imposed by sanctions against the potential benefits obtained from continuing its policies, and determine their net gain or net cost. The higher the net costs, the more likely the target country will change its policies.

The conflict in Bosnia-Herzegovina (BiH), was both complicated and violent, due to its ethnic diversity. When BiH declared its independence in March 1992, the former Yugoslav army (JNA) had 94,000 troops garrisoned in the country. When the JNA “officially” withdrew in June 1992, only 14,000 troops went back to Serbia. Initially, the Bosnian Serbs held over 70 percent of BiH. Military forces were divided primarily along ethnic lines, with the BiH army maintaining some ethnic diversity. The conflict in the country involved simultaneous fighting between Croatians and the BiH, Serbs and the BiH, Croatians and Serbs, and even Muslim versus Muslim. By fall 1995, the BiH, in conjunction with Croatian forces, were able to regain some of the territory previously lost to the Serbs. The final peace settlement, the Dayton Peace Accord, gave 51 percent of BiH to the newly formed, but tenuous, Muslim-Croat federation and 49 percent to the Bosnian Serbs.

The beginning of the last decade of the twentieth century saw the former Yugoslavia in a precarious situation. Its economy in shambles due to the inefficiencies of socialist self-management, the former Yugoslavia needed to modernize its economy. This required massive reorganization and assistance from the West. However, just as the federal government began implementing economic reforms, four of the country’s republics declared their independence and economic reforms rapidly took second stage to the requirements of

war. In short, four decades of socialist self-management and the fragmentation of the former Yugoslavia economies left the FRY (S/M) vulnerable to the effects of economic sanctions.

The theoretical framework of this thesis is based on the work of three economists, Gary Hufbauer, Jeffrey Schott, and Kimberly Elliott (hereafter referred to as HSE). HSE studied 116 sanction episodes since World War I with the purpose of identifying circumstances where economic sanctions succeed in attaining foreign policy goals. Their work focuses on three major questions: What factors – both political and economic – usually result in a positive contribution of sanctions to the achievement of foreign policy goals? What are the costs of sanctions to both target and sender countries, and to what extent do they influence policy decisions? And what lessons can be drawn from this experience to guide policymakers on the use of sanctions in the future? HSE's bedrock study on economic sanctions identify six political conditions and five economic conditions that are conducive to the successful implementation of economic sanctions and achievement of foreign policy objectives.

Four UN Security Council Resolutions constituted the sanctions regime against the FRY (S/M): UNSCRs 713, 757, 787, and 820. UNSCR 713 was the arms embargo against the former Yugoslavia and UNSCR 757, 787, and 820 initiated the economic sanctions and implemented their enforcement against the FRY (S/M). The sanctions devastated their economy and forced their president, Slobodan Milosevic, to end his support to the war.

The signing of the Dayton Peace Accord in November 1995 signified the achievement of a major foreign policy goal in the Balkans. The UNSC determined that sanctions may well have been the single most important reason that made the FRY (S/M) accept a negotiated peace agreement in Dayton in November 1995.



Figure 1. Map of the Former Yugoslavia

**Former Yugoslavia**



Source: Central Intelligence Agency. Available on line (internet) from the University of Texas library at [http://mahogany.lib.utexas.edu/Libs/PCL/Map\\_collection/europe/Fm\\_Yugoslavia\\_pol96.jpg](http://mahogany.lib.utexas.edu/Libs/PCL/Map_collection/europe/Fm_Yugoslavia_pol96.jpg)



Figure 2. Map of Bosnia-Herzegovina



Source: Central Intelligence Agency. Available on line (internet) from the University of Texas library at [http://mahogany.lib.utexas.edu/Libs/PCL/Map\\_collection/europe/Bosnia\\_Herzegovina\\_pol97.jpg](http://mahogany.lib.utexas.edu/Libs/PCL/Map_collection/europe/Bosnia_Herzegovina_pol97.jpg)



## **ACKNOWLEDGEMENTS**

First and foremost, I express my thanks to Dr. Robert Looney and Dr. Mary Callahan for their helpful guidance throughout this project. Thanks are also due to Captain Frank Kelly, United States Navy, Lieutenant Colonel Terry Johnson, United States Army (retired), and to the Office of Naval Intelligence for enabling me to travel to Washington, D.C. to conduct research on this topic. I am indebted to my mother for the invaluable assistance (babysitting, proofreading, et cetera) she provided during her stay in Monterey. Finally, thanks are extended to my wife and children for their continued support.



## I. INTRODUCTION

Economic sanctions have been used by nations to coerce other nations for many years. From the Seven Years War in the eighteenth century through World War I, nations learned that restraints on trade could be a powerful, coercive policy instrument in modifying a target state's behavior.<sup>1</sup> With the founding of the United Nations in 1945, the world had a new tool for an old strategy. The United Nations, acting through the Security Council, theoretically could employ substantial pressure in order to curtail or deter the aggressive action of a target nation. The United Nations (UN), however, seldom imposed economic sanctions during the Cold War years. Between 1945 and 1990, the UN Security Council imposed economic sanctions twice, against Rhodesia in 1966 and South Africa in 1977.<sup>2</sup>

Since the Cold War, "the world's major powers and the United Nations are increasingly using economic sanctions to achieve international political objectives."<sup>3</sup> From 1991 to 1998, the U.N. Security Council imposed mandatory sanctions eight times, one of which was directed against the former Yugoslavia in 1992.<sup>4</sup> Due to their increased frequency, economic sanctions have resurfaced at the center of public policy debate. Some

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<sup>1</sup>The earliest recorded sanction occurred in ancient Greece with Pericles's Megarian decree, enacted in response to the kidnapping of three Aspasion women. This embargo allegedly led to the Peloponnesian War. Gary Clyde Hufbauer, Jeffrey J. Schott, and Kimberly Ann Elliott, *Economic Sanctions Reconsidered*, 2d ed. (Washington, DC: Institute for International Economics, 1990), 4.

<sup>2</sup>George A. Lopez and David Cortright, "Sanctions: Do They Work?" *Bulletin of the Atomic Scientists* (November 1993), p. 14.

<sup>3</sup>Robert A. Pape, "Why Economic Sanctions Do Not Work," *International Security*, Vol. 22:2, 1997, p. 90.

<sup>4</sup>Ibid. By 31 August 1994, the U.N. Security Council imposed sanctions against Iraq (1990), former Yugoslavia (1992), Libya (1992), Somalia (1992), Haiti (1994), the UNITA movement in Angola (1994), and Rwanda (1994).

analysts maintain that sanctions are incapable of achieving significant results while other analysts state that under certain circumstances and conditions, sanctions are likely to succeed in altering the behavior of the target nation.

The available analysis regarding the former Yugoslavia case asserts economic sanctions were not effective in bringing about peace in the Balkans. These writings, however, were written from 1993 through early 1995, prior to the end of the conflict in Bosnia-Herzegovina. With the ending of hostilities, as signified by the signing of the Dayton Peace Accord, a gap exists in the analysis of the role economic sanctions had in achieving policy goals in the former Yugoslavia. The aim of this thesis is to fill that gap in analysis by investigating the role sanctions played in ending the war and implementing the peace accord.

#### A. DEFINITIONS

The words, “sanction,” “embargo,” and “blockade” have been used interchangeably at times, thus adding to the confusion and controversy in analyzing effectiveness. This problem hampers and confuses policymakers and analysts in determining whether or not economic sanctions can change another state’s behavior. Therefore, it is important to understand what economic sanctions consist of and what they do not.

Policymakers and government officials use a variety of tools to influence other governments. These tools, in increasing order of severity and coercion, are diplomatic

efforts, public appeals, non-economic coercion, economic coercion (or economic warfare), and military action.<sup>5</sup>

### **1. Economic Warfare and Measures Other Than Economic Sanctions**

Economic warfare consists of coercive foreign policy measures taken by a state to influence or change the policies of another state by economic means. This domain of coercion, different from military action, consists not only of economic sanctions, but also of covert and overt measures undertaken to manipulate another state's economy. This section will further define non-sanction economic warfare, while the following section will define economic sanctions.

Examples of non-sanction economic warfare include economic espionage, the illegal transfer of technology, and the manipulation of world markets.<sup>6</sup> According to Robert Pape, "Economic warfare seeks to weaken an adversary's aggregate economic potential in order to weaken its military capabilities, either in a peacetime arms race or in an ongoing war."<sup>7</sup> Another scholar notes that the former Soviet Union "engaged in a sinister and very dangerous game of economic warfare against the United States" in the manipulation of the strategic

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<sup>5</sup>Adapted from Richard Hull's work on international sanctions. Hull uses the terms "non-economic sanctions" and "economic sanctions" in place of non-economic coercion and economic coercion. The author's definition of non-economic coercion is synonymous with Hull's "non-economic sanctions." However, Hull's term "economic sanctions" is not all encompassing and has been modified. Richard Hull, *Imposing International Sanctions: Legal Aspects and Enforcement by the Military* [book on-line] (Washington D.C.: Institute for National Strategic Studies, March 1997, accessed 21 April 1998); available from <http://www.ndu.edu/ndu/inss/books/sanctions/contents.html>; Internet.

<sup>6</sup>For more details regarding economic espionage, see John J. Fialka's *War by Other Means: Economic Espionage in America* (New York: W.W. Norton and Co., 1997).

<sup>7</sup>Robert A. Pape, "Why Economic Sanctions Do Not Work," *International Security* 22, no. 2 (1997): 90-136.

metals (chromium, cobalt, zirconium, titanium, and tantalum) market.<sup>8</sup> Strategic metals are vital to a modern, high-technology, industrial society, as well as that society's military. The United States is about ten percent self-sufficient in strategic metals while the former USSR was about 90 percent self-sufficient.<sup>9</sup> As such, the United States imported much of these metals from Africa.

The Soviets, keeping their domestic supplies un-mined and in reserve, competed with the United States on the world market, thus driving up the price. The Soviets also used other measures – propaganda, disinformation, and guerilla warfare – to destabilize the strategic metal producing countries and drive up prices. In Zaire, these activities caused the price of cobalt to increase 600 percent from 1979 to 1981.<sup>10</sup>

Economic warfare consists of a wide range of measures, only one of which is economic sanctions. The examples listed above obviously fall outside of a conventional wisdom definition of economic sanctions, yet both are coercive in nature.

## **2. Economic sanctions**

Economic sanctions are a subset of economic warfare and, according to Hufbauer, Schott, and Elliot, are defined as “the deliberate, government-inspired withdrawal, or threat

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<sup>8</sup>Fred W. Walker, “Strategic Concepts for Military Operations,” in *Psychological Operations: Principles and Case Studies*, ed. Frank L. Goldstein (Maxwell Air Force Base, AL: Air University Press, 1996), 20.

<sup>9</sup>Ibid.

<sup>10</sup>Ibid., 21.

of withdrawal, of customary trade or financial relations.”<sup>11</sup> Excluded in this definition are positive economic incentives, such as providing foreign aid or credits. These positive incentives may be utilized with economic sanctions in a “carrot-and-stick” manner.

The term, “sender,” refers to “the country (or international organization) that is the principal author of the sanctions episode” and the term, “target,” “designate[s] the country that is the immediate object of the episode.”<sup>12</sup> There are three types of economic sanctions, or in other words, “three main ways in which a sender country tries to inflict costs on its target: by limiting exports, by restricting imports, and by impeding finance, including the reduction of aid.”<sup>13</sup> The limitation of exports and the restriction of imports are referred to collectively as trade sanctions, while the limitation on finance is referred to as financial sanctions. Examples of financial sanctions include prohibiting private financial transactions between a sender country’s citizens and the target country, freezing or confiscating bank assets of the target government, and restricting the target’s access to financial assistance from organizations such as the World Bank or International Monetary Fund.<sup>14</sup> Hufbauer, Schott,

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<sup>11</sup>Gary Clyde Hufbauer, Jeffrey J. Schott, and Kimberly Ann Elliott, *Economic Sanctions Reconsidered*, 2d ed. (Washington D.C.: Institute for International Economics, 1990), 2. This work encompasses 116 case studies and is the most comprehensive analysis on economic sanctions to date. As such, this thesis draws heavily from their analysis and conclusions.

<sup>12</sup>Ibid., 35.

<sup>13</sup>Ibid., 36.

<sup>14</sup>Examples come from: Robert P. O’Quinn, “A Users Guide to Economic Sanctions” [on line] (The Heritage Foundation: 25 July 1997, accessed 28 April 1998); available from <http://www.heritage.org/heritage/library/categories/trade/bg1126.html>; Internet. Also, Canadian Department of Foreign Affairs and International Trade, “For Effective and Appropriate Sanctions” [on line] by Jean Prevost, Economic and Trade Policy, Policy Staff Paper 93/04 (March 1993, accessed 28 April 1998); available from [http://www.dfaid-maeci.gc.ca/english/foreignp/drait/policy~1/93\\_04\\_e.html](http://www.dfaid-maeci.gc.ca/english/foreignp/drait/policy~1/93_04_e.html); Internet.

and Elliot (hereafter will be referred to as HSE) consider trade and financial sanctions to be included in their overall definition of economic sanctions. As such, so will this paper.<sup>15</sup>

HSE's definition of economic sanctions is not without its critics. Robert Pape, in his article "Why Economic Sanctions Do Not Work," is the most critical of the HSE definition.<sup>16</sup> Pape uses a very strict definition of economic sanctions, solely attributing the suspension of trade to the definition. He does not include naval blockades in the definition, nor does he include financial sanctions in his definition.

Pape states that a naval blockade is a "component of a coercive strategy based on force," not on economic coercion.<sup>17</sup> Pape uses examples from World War I and II to demonstrate that a naval blockade is a "coercive strategy centered on [military] force," and not one centered on economics.<sup>18</sup> While this was true in these two examples, the naval blockade, or maritime interception operation, against the FRY (S/M) was not centered on the use of force, it was centered on economic coercion. Further, the Allied blockades of Germany during both World Wars were targeted against the adversary and its allies, while the maritime interception operation against the FRY (S/M) was targeted against all merchant shipping, regardless of the ships nationality (flag, owner, homeport, or point of origin). In

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<sup>15</sup>Some recent analyses of the sanctions episode in the former Yugoslavia debate whether financial sanctions, and not trade sanctions, were solely responsible in achieving foreign policy goals. See George A. Lopez and David Cortright, "Financial Sanctions: The Key to a 'Smart' Sanctions Strategy" [on line] (The Fourth Freedom Forum: Fall 1997, accessed 11 September 1998); available from <http://www.fourthfreedom.org/sanctions/financialSanctionsSmartSanctions.html>; Internet.

<sup>16</sup>Pape, "Why Economic Sanctions Do Not Work," 93.

<sup>17</sup>Ibid., 96.

<sup>18</sup>Ibid.

short, operational characteristics differ in the use of ‘naval blockades;’ while Pape’s definition of ‘naval blockade’ is historically correct, it does not take into consideration the new security environment that maritime forces will be operating in, where they are going to be an enabling force used to help find a political solution.

In regards to financial sanctions, Pape raises an interesting point and one that is currently being studied for the FRY (S/M) case, that being the role of financial sanctions. David Owen, in his book *Balkan Odyssey*, states that financial sanctions played a predominant role in achieving foreign policy goals in the FRY (S/M).<sup>19</sup> Effectively, however, financial and trade sanctions both cause economic disruption in the target country. The collective definition, or as Pape calls it, “the common definition,” will be used in this paper.<sup>20</sup> This issue of the effectiveness of financial sanctions versus trade sanctions is notable, however, it is one for further research.

At the other end of the definitional spectrum is David Baldwin. In his book, *Economic Statecraft*, Baldwin argues for a looser definition. Baldwin argues that economic sanctions should be broadened to encompass all aspects of “economic statecraft” including trade disputes, engaging in economic warfare, rallying domestic support, demonstrating resolve to third party audiences, or simply inflicting punishment.<sup>21</sup> This broadened definition makes it difficult to measure the sanction’s success or effectiveness as the components of

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<sup>19</sup>David Owen, *Balkan Odyssey* (San Diego: Harcourt Brace, 1996), 124-125.

<sup>20</sup>Pape, “Why Sanctions Do Not Work,” 97.

<sup>21</sup>David A. Baldwin, *Economic Statecraft* (Princeton, NJ: Princeton University Press, 1985), 373.

success differ between rallying domestic support and achieving a foreign policy goal. Again, HSE's "common definition" will be utilized.

### **3. Maritime Interdiction and Blockades**

Embargos are the ordered suspension of commerce through the forbidding of the target state's ships from leaving or entering the target's ports carrying specific goods. A blockade represents a more severe form of coercion, "that of achieving the aim of the sanctions by the *complete* [emphasis mine] denial of access with the aim of completely disrupting trade and/or starving the targeted country into submission."<sup>22</sup> A blockade not only restricts the target state's ships, but those of neutral states as well. Historically, embargos and blockades denote the enforcement of a sanction, usually by a maritime force, and are generally considered an act of war or as a prelude to war. The UN-mandated operations against Iraq (1990 – present), the former Yugoslavia (1992 – 1996), and Haiti (1993 – 1994) are recent exceptions to this, as the maritime forces involved were not considered combatants in the conflict.

Since the term "blockade" has war-like connotations to it, new terms were introduced to describe this old form of sanction enforcement. One scholar notes, "In the United States, the term 'blockade' is no longer politically correct, and the terms 'interdiction' and 'interception,' which are not defined in international law, are now definitely preferred, to avoid a connotation of war with the targeted State and all the legal and political consequences

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<sup>22</sup>Captain Robert H. Thomas, Royal Dutch Navy, "The Use of Naval Forces in Imposing and Enforcing Sanctions, Embargoes, and Blockades," TD, August 1993, 3.

this would entail.”<sup>23</sup> Although “a rose by another name,” this paper will refer to the enforcement of economic sanctions as ‘interception’ or ‘interdiction’ operations.

#### **4. Embargo**

“Embargo” is often used synonymously with other actions and events in a sanctions episode, thus creating confusion as to its exact meaning. As defined in the preceding section, an embargo is the prohibition of the target state’s ships from leaving or entering the target state’s ports.

One of the elements of the sanctions regime on the former Yugoslavia is commonly referred to as the “arms embargo.” While the specifics of this element will be discussed in Chapter Three, the use of the word “embargo” in this context is somewhat confusing, given the definitions already provided. The “arms embargo” should be considered a non-economic coercive measure, as it was not directed at the target country’s economy. Rather, the “arms embargo” was targeted at the warring factions’ military capabilities by limiting armament availability during the conflict.

Although the arms embargo was not part of the economic sanctions episode against the Federal Republic of Yugoslavia (Serbia/Macedonia), a brief analysis of its effects will be offered in Chapter IV.

#### **5. Foreign Policy Goals**

Foreign policy goals are defined as “encompass[ing] changes expressly and

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<sup>23</sup>Richard Hull, *Imposing International Sanctions: Legal Aspects and Enforcement by the Military* [book on-line] (Washington D.C.: Institute for National Strategic Studies, March 1997, accessed 21 April 1998); available at <http://www.ndu.edu/ndu/inss/books/sanctions/contents.html>; Internet.

purportedly sought by the sender state in the political behavior of the target state.”<sup>24</sup> HSE classified the foreign policy goals from their historical case studies into five categories, according to the major foreign policy goal sought by the sender country: (1) to change target-country policies in a relatively modest way (for example, in human rights and terrorism cases); (2) to disrupt a minor military adventure (UK sanctions against Argentina over the Falkland/Malvinas Islands); (3) to destabilize the target government (U.S. campaign against Castro); (4) to impair the military potential of the target country (sanctions imposed in World Wars I and II); and (5) to change target-country policies in a major way (ending apartheid in South Africa).<sup>25</sup>

A sanctions episode may have more than one objective. For example, destabilization usually presupposes a lesser goal and attempts to impair the military power of the target-state usually has an explicit or implicit goal of destabilizing the target country’s government. In cases of multiple goals, HSE classify the case by the most difficult objective. For the single case of the former Yugoslavia, the lesser goals, as well as the implicit goals, will be analyzed.

## B. SOME GENERAL PRINCIPLES

Sanctions penalize the target country for its undesired behavior. The theoretical basis for sanctions rest in rational-choice theory. The target country will weigh the costs imposed by sanctions against the potential benefits obtained from continuing its policies, and

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<sup>24</sup>Hufbauer, Schott, and Elliott, *Economic Sanctions Reconsidered*, 2.

<sup>25</sup>Ibid., 38.

determine their net gain or net cost. The higher the net costs, the more likely the target country will change its policies.

The enactment of sanctions sends a triple message. According to HSE, “To the target country it says the sender does not condone your actions; to allies it says that words will be supported by deeds; [and] to domestic audiences it says the sender’s government will act to safeguard the nation’s vital interests.”<sup>26</sup> Sanctions also punish the target country for illicit behavior, to deter it from future transgressions, and to rehabilitate the target country’s leadership. Sanctions also fill the gap in certain foreign policy instances when diplomatic efforts do not apply enough coercion and military action would be too coercive.

While the theoretical basis and implementation of sanctions seem sound, sanctions often do not succeed in changing the behavior of foreign countries. HSE identify four factors to explain why sanctions fail.

The first reason for failure is that the sanctions imposed may be inadequate to the task. The sender country’s goals may be unclear or elusive, the means too mild or, if needed, cooperation from other countries may not exist. The second reason for failure is that sanctions may create their own antidotes. Specifically, economic sanctions may unify the target country both in support of its government and in search of commercial alternatives.<sup>27</sup>

The third reason for failure is that the target country may turn to powerful or wealthy allies to offset the deprivation caused by sanctions. This was particularly experienced during

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<sup>26</sup>Ibid., 11.

<sup>27</sup>Ibid., 12.

the Cold War. For example, U.S. sanctions against Cuba and Nicaragua drove those countries further into the former Soviet sphere of influence. Additionally, USSR sanctions against Yugoslavia in 1948 – 1955 caused that country to turn to the west for economic and military assistance.

Finally, economic sanctions may alienate allies abroad and business interests at home. This factor most commonly relates to unilateral sanctions imposed by the United States. Since sanctions force the target country to seek commercial relations elsewhere, domestic businesses lose market shares to their competitors. Boeing losing the Iranian airline market to Airbus is a classic example. Besides the loss of sales, domestic businesses jeopardize their reputation for reliability in a sanction-happy foreign policy regime. Allies also feel the effects of sanctions when the sender country tries to enforce its unilateral measures worldwide, as the United States did in the 1981 – 1982 Soviet-European pipeline case. U.S. allies often wondered who was the target of the sanctions, the Soviets or their own firms. The feud that results between the sender country and its allies often undercuts the sanctions' economic and psychological potency, making them ineffective.

Despite these pitfalls and contemporary critiques of sanctions, they are still being used. Why then are they frequently being used? The answer is twofold. First, with the end of the Cold War, the UN Security Council is able to pass its resolutions without the constraints of the Soviet veto and the United States is able to enact sanctions without fear of driving the target state into the Soviet sphere of influence. Secondly, sanctions provide policy makers an alternative to diplomatic measures that may be too insignificant, yet still avoid the high costs of war.

### C. PLAN OF THE THESIS

To answer the research question – the effectiveness of economic sanctions in achieving peace in the Balkans – this thesis will look to two time periods in the war in Bosnia-Herzegovina. First, the period between 1991 and 1995 and second, the signing and implementation of the Dayton Peace Accord (December 1995 to the present).

The Bosnian Serbs had the military advantage when Bosnia-Herzegovina declared its independence in 1991 and experienced tremendous successes on the battlefield from 1991 through 1994, nearly crushing the army of Bosnia-Herzegovina (primarily the Bosnian-Muslims). By late 1994, the war had stabilized in favor of the army of Bosnia-Herzegovina and by late 1995, it was able to go on the offensive. This offensive resulted in ending the siege of Sarajevo and recapturing territory lost to the Bosnian Serbs earlier in the war.

The Dayton Peace Accord, signed in December 1995, ended the conflict in Bosnia-Herzegovina. The lifting of economic sanctions were reportedly one of the key negotiation points for Slobodan Milosevic, President of the Federal Republic of Yugoslavia (Serbia/Macedonia), to agree on the terms of the peace accord.<sup>28</sup> Further, the United Nations, United States, and Western European nations continually used economic sanctions in a “carrot and stick” manner to ensure the former warring factions (Croatian, Muslim, and

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<sup>28</sup>The new state of Serbia and Montenegro is commonly referred to as Federal Republic of Yugoslavia (Serbia and Montenegro), or FRY (S/M), although it is not yet officially recognized by the United States.

Serbian – both state entities and their respective proxies in Bosnia-Herzegovina) would comply with the provisions of the Dayton Peace Accord.

Chapter II will provide the necessary background information on the former Yugoslavia, focusing on the characteristics of the former Yugoslav economy which made it vulnerable to sanctions, and the historical and geo-political information of the area. Chapter III will discuss HSE's theoretical arguments on implementing a successful sanction episode and introduce the UN Security Council's Resolutions that implemented the sanctions regime on the FRY (S/M). Chapter IV will use these theoretical arguments to analyze the empirical evidence that shows sanctions were effective in achieving foreign policy goals in the former Yugoslavia. Chapter V is the conclusion chapter and will offer modifications to HSE's theoretical arguments and recommendations. The Annexes will describe the maritime interception operation in the Adriatic that enforces the sanctions regime and provide a summary of NATO airstrikes against the Bosnian Serbs.

## **II. BACKGROUND**

An understanding of the past throws light on current conditions in the Balkans. For this reason, a brief overview of former Yugoslavia's history and economy will be given. This chapter is divided into three areas. The first section will briefly outline the history of the former Yugoslavia, concentrating on the breakup of that country. The second section will provide an overview of the former Yugoslav Army. The background provided in this section is important when analyzing the effects that the arms embargo and economic sanctions had on the military. The third section will offer a profile of the economy, and identify key aspects that made the economy vulnerable to the effects of economic sanctions. This section will be followed by a chapter summary.

### **A. HISTORY AND GEO-POLITICAL ISSUES**

The history of the Balkans is long and bloody. Ethnic rivalry in this region can be traced back over 500 years. The history of the region and its influence on today's conflict is certainly beyond the scope of this paper. Therefore, a brief historical sketch will be provided.

The former Yugoslavia was born out of the ashes of World War I. The country consisted of six major ethnic groups and their corresponding regions: Slovenia, Croatia, Bosnia-Herzegovina, Serbia, Montenegro, and Macedonia. Additionally, two provinces were included in what is present day Serbia, Vojvodina (primarily consisting of Hungarians) and Kosovo (over 90 percent of the population are Albanian). During World War II, ethnic infighting was fierce between the Croats (aligned with Nazi Germany) and the Serbs (aligned with the Allies). The fighting in the country was both a part of World War II as well as an

internal civil war. Some historians argue that the present conflict stems directly from atrocities committed during World War II.<sup>29</sup>

Joseph Tito, a wartime resistance leader and a communist, emerged from World War II as Yugoslavia's leader. From 1945 until his death in 1980, Tito had a firm grip on power in Yugoslavia. Tensions within Yugoslavia's federal system emerged after Tito's death, however. This ethnically and religiously diverse federation of six republics and two autonomous provinces survived under a collective government for ten years after his death.

In the spring of 1990, democratic elections following the collapse of the communist system brought nationalist and independence-minded governments to power in Slovenia, Croatia, and Serbia. In June 1991, Croatia and Slovenia declared their independence. Their secession was due not only to ethnic factors, but also to economic factors. Slovenes and Croats achieved higher standards of living compared to Serbia and the other southern regions. Growing economic disparities between the regions, both real and perceived, fed the engine of secession as the Croats and Slovenes grew tired of sending large portions of their net profits to the unproductive regions in the south. These differences culminated in independence declarations and also ignited a brief conflict between the Slovenes and the Yugoslav Army and a protracted conflict between Croatia and the Serbian minority ("Krajina Serbs") supported by the Yugoslav Army.

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<sup>29</sup>"Except for devastating casualties in inter-communal civil war within a wider triune war during World War II, which occurred in exceptional circumstances and with external (Axis) provocation, most of them have lived in relative peace – although not necessarily in harmony – for most of the centuries that two or more of them have cohabited in many countrysides and towns." Dennison Rusinow, *Beyond Yugoslavia*, ed. Sabrina Petra Ramet and Ljubisa S. Adamovich (Boulder, CO: Westview Press, 1995), 13.

By the end of 1991, the Krajina Serbs controlled almost one-third of Croatia. In September 1991, in order to stem the fighting, the UN Security Council (UNSC) imposed Resolution 713 against the former Yugoslavia. This resolution was the arms embargo and was applied to all of the newly formed countries from the former Yugoslavia.

The multi-ethnic composition of Bosnia-Herzegovina was reflected in its position on national issues. The republic supported conservative, federal policies until the late 1980s when it was threatened by the heightening of nationalist movements in the other regions of the Yugoslav federation. The official position of Bosnia-Herzegovina was to support ethnic reconciliation within the federation. Despite their efforts, the nationalistic fervor was too intense. In March 1992, voters in Bosnia-Herzegovina overwhelmingly approved independence. The Bosnian Serbs boycotted this vote. The Bosnian Serbs, backed by the Serbian-controlled Yugoslav Army, thus began forcible resistance to Bosnia's independence.

By spring 1992, the Bosnian Serbs controlled more than 70 percent of Bosnia's territory. Bosnian Serb ethnic cleansing of Bosnian Muslims and Croats became a tactic of the Bosnian Serb Army (BSA). Outraged at Serbian atrocities, UNSC issued Resolution 757 in May 1992. UNSCR 757 called for total economic sanctions placed against Serbia and Montenegro [now referred to as Federal Republic of Yugoslavia, Serbia/Montenegro or FRY (S/M)].

Despite UNSCR 713 and 757, the FRY (S/M) continued to support its Serbian proxies in Bosnia and ethnic cleansing continued. The UNSC responded with Resolution 787 in November 1992. This resolution calls for the strict implementation of UNSCR's 713 and 757. These two resolutions were never effectively applied to the FRY (S/M) nor

enforced. The UNSCR 787 enforces them by authorizing monitoring on the Danube River and in the Adriatic Sea. In effect, UNSCR 787 establishes the maritime interception operation against FRY (S/M).

In April 1993, after the Bosnian Serbs failed to support the Vance Owen Peace Plan, the UNSC issued UNSCR 820 against FRY (S/M). This resolution tightens the sanctions and calls for stronger enforcement measures on the Danube River and in the Adriatic Sea. In addition, the United States has helped block FRY (S/M) membership in financial institutions such as the IMF, World Bank, and the European Bank for Reconstruction and Development. Further, the United States froze all foreign assets of FRY (S/M) and their proxies in Bosnia, the Bosnian Serbs. These actions are termed the “outer wall” of sanctions.

#### **B. MILITARY OF THE FORMER YUGOSLAVIA**

The status of armed forces in the former Yugoslavia, both up to and during the wars of secession, were heavily reliant on the doctrine and tactics utilized by Tito and his communist Partisans’ during World War II. Tito’s Partisans (Serbs, Croats, and Muslims) not only fought the Germans, but the Ustase (pro-fascist regime in Croatia), the Cetniks (Croats, Serbs, and Muslims who favored the formation of a multi-ethnic republic), and Serbian supporters of the Serbian regime in exile. Throughout the fighting, the Partisans relied on guerilla tactics against their enemies.

Emerging victorious from World War II, Tito was strongly influenced by his successes in guerilla warfare. This experience, coupled with Tito’s split with Stalin (which was further exacerbated by the Soviet invasion of Hungary in 1956), led Tito to establish the

concept of Total National Defense (TND). This concept is a two-tiered approach to defending the country. The first tier would be the use of the regular army, or Yugoslav National Army (JNA).<sup>30</sup> The second tier would be the Territorial Defense Forces (TDF) and the local population. Doctrine called for the close coordination of the two tiers. The JNA would provide direct fire support (air support, tanks, and artillery) to the TDF during military operations.<sup>31</sup>

The center of gravity for the TDF was in Bosnia-Herzegovina, as the JNA postured its forces to defend the country not only from possible NATO attacks in the west, but also from a Soviet-Warsaw Pact attack in the east. Further, the mountainous terrain in Bosnia-Herzegovina was ideal for the guerilla, partisan war that Tito envisioned. “Thus, Bosnia-Herzegovina became the favoured location for storing arms and supplies and building arms and munitions factories.”<sup>32</sup> As a result and coupled with its heterogeneous population, Bosnia-Herzegovina experienced the fiercest fighting in the wars of secession. The large amount of arms available in Bosnia-Herzegovina raises serious issues about the effectiveness of the arms embargo on the former Yugoslavia. These issues will be dealt with more specifically in Chapter IV.

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<sup>30</sup>Also known as the Yugoslav Peoples Army (YPA). In April 1992, the YPA changed its name to the ‘Army of Yugoslavia’ or JA (also referred to as YA) to reflect the territorial change.

<sup>31</sup>Milan Vego, “Federal Army Deployments in Bosnia and Herzegovina,” *Jane’s Intelligence Review* 4, no. 10 (October 1992): 445.

<sup>32</sup>United Nations Security Council, “The Military Structure, Strategy, and Tactics of the Warring Factions,” Annex III, in *Final Report of the United Nations Commission of Experts* [on-line] (New York: United Nations, 28 December 1994, accessed 01 May 1998), S/1994/674/Add.2 (Vol. I); available at <http://www.uwe.ac.uk/facults/ess/comexpert/ANX/III.htm>; Internet. Final report of the UN Commission of Experts established pursuant to security council resolution 780 (1992).

The wars of secession in the former Yugoslavia went through three stages. The first phase was the war in Slovenia, the second in Croatia, and the third in Bosnia-Herzegovina. As nationalism and secession reached feverish heights in 1990, the JNA conducted pre-emptive seizures of TDF weapons caches in Slovenia and Croatia. These efforts were not totally successful, however. Further, in order to offset the loss of TDF weapons, Slovenia and Croatia expanded their imports of arms.

Slovenia declared its independence in June 1991. This conflict involved the JNA, Slovenia's TDF, Slovenian troops who left the JNA and formed the Slovenian Army, and the Slovenian police force. Despite the JNA's overwhelming firepower, the conflict lasted only ten days. The JNA, showing great restraint, retreated from Slovenia into Croatia, Bosnia-Herzegovina, and Serbia.

The second stage was the war in Croatia. The Croatian TDF units and Croatians who left the JNA formed the Croatian Army (HV). The HV not only feared attacks from the JNA, but from the large Serbian minority living in the Krajina region of Croatia. The JNA formally withdrew from Croatia in November 1991, but continued to support the army of the self-proclaimed Serb Republic of Krajina. JNA troops withdrawing from Croatia entered the Bosnia-Herzegovina republic in anticipation of conflict there. The Krajina Serbs maintained their territorial holdings until September 1995 when the newly re-organized and re-equipped HV swept through the Krajina and defeated the Serbs. Subsequently, the HV has been accused of ethnic cleansing as thousands of Serb refugees fled to Serbia and Serb-held territory in Bosnia-Herzegovina.

The third stage, the conflict in Bosnia-Herzegovina (BiH), was the most complicated and most violent due to the ethnic diversity. The ethnic breakdown of BiH consisted of approximately 44 percent Muslims, 26 percent Serbs, and 17 percent Croatians (the remaining 13 percent consisted of other groups like Bulgarians, Albanians, Hungarians, et cetera). Because of its ethnic diversity, the republic of Bosnia-Herzegovina's policy was to maintain and support the federal Yugoslav state.<sup>33</sup> As events transpired and nationalist fervor rose, it became impossible to adhere to this policy.

When BiH declared its independence in March 1992, the JNA had 94,000 troops garrisoned in the country. Military forces were divided primarily along ethnic lines, with the BiH army maintaining some ethnic diversity. The conflict in the country involved simultaneous fighting between Croatians and the BiH, Serbs and the BiH, Croatians and Serbs, and even Muslim versus Muslim. The forces involved were the JNA, the Bosnian-Serb Army (BSA), the HV, the Bosnian-Croat army (HVO), and the BiH Army. The JNA had approximately 94,000 troops in BiH. When they "officially" withdrew in June 1992, 14,000 troops went back to Serbia. The 80,000 troops, with equipment, that remained claimed to be from BiH. Initially, the Bosnian Serbs held over 70 percent of BiH. By fall 1995, the BiH, in conjunction with the HV and HVO, were able to regain some of the territory previously lost to the Serbs. When the final cease-fire went into effect in 1995, Muslim and Croat forces held approximately 55 percent of BiH. The final peace settlement,

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<sup>33</sup>Because of Bosnia-Herzegovina's multi-ethnic society, many members referred to themselves as Yugoslavs. Because inter-marriage was prevalent and when the war broke out, some were unsure as to which ethnic group they belonged to.

the Dayton Peace Accord, gave 51 percent of BiH to the newly formed, but tenuous, Muslim-Croat federation and 49 percent to the Bosnian Serbs.

### **C. ECONOMY OF THE FORMER YUGOSLAVIA**

A comprehensive, well-balanced description of such a fragmented economy as the former Yugoslavia's is difficult and beyond the scope of this thesis. Nevertheless, it is important to highlight certain general sectoral and performance characteristics of the former Yugoslav economy. These specific aspects will provide the reader with an insight as to how this economy was susceptible to the consequent effects of economic sanctions.

What follows is first, a description of the former Yugoslavia's unique economic system entitled socialist self-management; second, an overview of the economic results from the former Yugoslav economy as well as the inherent problems that resulted from their unique economic system; and finally, a review of the country's international trading policy and practices, its reliance on certain types of imports, and its trading partners.

#### **1. Socialist Self-Management**

The economy of the former Yugoslavia was unique of the world economies, typically described as a hybrid of communism and capitalism. "Transcending both private capitalism and state capitalism, self-management socialism was to institute direct democracy in economic matters, with decision making power as the exclusive prerogative of individuals directly affected by decisions, and with individuals directly exercising their power without

the intervention of autonomous intermediaries.”<sup>34</sup> Under the leadership of Tito, “it became the only nation to implement a worker-managed market socialist system [also known as socialist self-management].”<sup>35</sup>

Initially a strong Stalinist, Tito broke with Stalin in 1948 and declared political independence from the Soviet Union.<sup>36</sup> The Yugoslav-Soviet break led Tito to develop the distinct economic system known as socialist self-management. This hybrid drew from numerous aspects of socialist ideological literature. Tito was a “true-believing Marxist,” yet his system also selectively drew from utopian socialist ideals (worker self-management) and from Engels’ central planning.<sup>37</sup> This system was codified and elaborated further in the 1974 Constitution and the Law on Associated Labor of 1976 and remained the distinctive element of the former Yugoslav economy until 1990. Socialist self-management consisted of “state-owned enterprises in a one-party state, operating with little central planning according to market forces, and with management appointed by worker-selected boards.”<sup>38</sup> The Federal

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<sup>34</sup>Martin Schrenk, Cyrus Ardalan, and Nawal A. Tatawy, *Yugoslavia: Self-management Socialism and the Challenges of Development* (Baltimore: John Hopkins University Press, 1979), 3.

<sup>35</sup>J. Barkley Rosser, Jr. and Mariana V. Rosser, *Comparative Economies in a Transforming World Economy* (Chicago: Irwin, 1996), 332.

<sup>36</sup>In 1961, Tito’s Yugoslavia became one of the three founders of the nonaligned movement, along with India’s Nehru and Egypt’s Nasser.

<sup>37</sup>Rosser and Rosser, *Comparative Economies*, 341. To counter Stalin’s charge of being anti-Marxist, Tito sought to justify ideologically his approach by “relying on selected quotations from Marx and Engels and other socialist literature to provide an ideological justification for their model.”

<sup>38</sup>Ibid., 67.

Research Division of the Library of Congress describes the concept of socialist self-management in the former Yugoslavia in the following way:

The original self-management concept redesignated [sic] enterprises as work organizations of associated labor and divided them into smaller units at the level of factory departments. Each smaller unit, a BOAL [Basic Organization of Associated Labor] was a self-managed entity, financially and commercially independent. As members of basic organizations, workers had the right to attend general meetings and elect and serve on workers' councils. The councils were elected bodies that formulated business policy and plans, made investment and borrowing decisions, approved enterprise accounts, and gave final approval to directors and management boards. Despite these extensive nominal powers, however, decisions by the workers' councils were heavily influenced by enterprise directors, who were appointed by the League of Communists of Yugoslavia (LCY), as the CPY [Communist Party of Yugoslavia] was called after 1952. Only one-third of the committees nominating enterprise directors could come from the councils; the remainder were members of local communes and trade unions, all still controlled by the LCY in 1990. In the final step, the workers' council chose from the nominating committee's list of candidates, but in most cases the list contained only one name at that stage.<sup>39</sup>

The use of self-management agreements and social compacts were other unique elements of the Yugoslav economic system. These agreements were binding contracts and enforceable in the Yugoslav court system. These contracts were used to allocate the income generated by the company to either higher wages or new investment in the company.<sup>40</sup>

This system was seen as a more accurate depiction of Marxism, as the people owned and operated the means of production. "By comparison, the former Yugoslavs considered the Soviet system to be statist because the Soviet state had simply replaced the capitalists of the

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<sup>39</sup>Library of Congress, Federal Research Division, *Yugoslavia: A Country Study*, 3d ed., ed. Glenn E. Curtis (Washington D.C.: Headquarters, Department of the Army, 1992), 131.

<sup>40</sup>Ibid.

West in exploiting the worker class.”<sup>41</sup> By giving the “factories to the worker,” policy makers established a system that transferred economic management from the state to the workers.

## **2. Overview of Economic Performance**

As with other socialist economies, land reform, the nationalization of industry, and the establishment of collective farms were undertaken in the former Yugoslavia. The former Yugoslavia’s unique economy, however, has encountered serious and persistent problems since World War II. Because of this uniqueness, the former Yugoslavia’s economic problems were even more acute than the economic problems of the former Soviet Union and Warsaw Pact countries. These problems – such as, an oversized balance of payments deficit, domestic inflation, unemployment, and low capital and labor productivity – are common to developing economies, but have been made more acute because of the uniqueness of the former Yugoslavia’s economy.

As mentioned earlier, each factory was a self-managed entity, financially and commercially independent. This independence resulted not only in the misallocation of capital resources and higher income disparity, but also higher inflation and unemployment. When deciding upon the factory’s fiscal and budgetary policy, workers would forgo capital reinvestment in the factory in favor of increases in wages. This led to an eventual decrease in productivity as capital goods became outmoded and outdated. In response to this, the government would implement re-capitalization efforts. However, these efforts were largely

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<sup>41</sup>Ibid., 123.

inefficient and ineffective.<sup>42</sup> Another consequence of socialist self-management was unemployment. Workers often chose higher wages at the expense of hiring additional workers. Labor productivity also suffered as a result. In short, a disproportionate amount of the factories' net profits went to higher wages at the expense of capital reinvestment and the hiring of additional laborers.

Unemployment in a socialist society such as the former Yugoslavia offers an interesting paradox. One of the main tenets of socialist doctrine is full employment. Yet, this socialist concept was abandoned by the former Yugoslavia when the Communist party officially acknowledged in 1950 that unemployment could exist under socialism.<sup>43</sup> The former Yugoslav leadership "had designed its society around the concept of community through labor, in which the core unit of social, economic, and political organization was the socialist workplace," or BOAL.<sup>44</sup> Despite this, unemployment was acknowledged in Yugoslav society and this resulted in accentuating social tensions. The meaning of unemployment not only meant the loss of income and identity for the unemployed, it meant, "to be excluded from full membership in society – a loss of full citizenship rights, a second-class status, a disenfranchisement."<sup>45</sup> This disenfranchisement led to the disillusionment of

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<sup>42</sup>Due to the law of diminishing returns. See Schrenk, Ardalan, and El Tatawy's *Yugoslavia* for a detailed description on the misallocation of capital in the former Yugoslavia.

<sup>43</sup>Susan Woodard, *Socialist Unemployment* (Princeton: Princeton University Press, 1995), 4.

<sup>44</sup>Ibid.

<sup>45</sup>Ibid.

the former Yugoslav model, culminating in the abandonment of socialist self-management in 1989.

On the eve of the breakup, “Yugoslavia was in an unprecedented economic and socio-political crisis. Nationwide, in 1989, the unemployment rate measured approximately 20 percent, some 60 percent of the population were living at or below the poverty line, and inflation had climbed to a yearly 2,500 percent.”<sup>46</sup> Former Yugoslavia also had the highest per capita foreign debt in Europe, totaling \$20 billion.<sup>47</sup>

### **3. International Trade**

In terms of international trade, scholar Oscar Kovac notes: “The [former] Yugoslav economy was always highly import dependent. Imports of fuel and semi-finished products as inputs into the manufacturing industries took between 2/3 and 3/4 of total Yugoslav imports.”<sup>48</sup> Because of this dependence, the country experienced a balance of payments deficit of over \$3.6 billion in 1979. However, by the 1980s, a small surplus was achieved. This surplus was the result of state imposed import restraints coupled with significant real growth of exports, as shown in Table 2-1 as exports and imports share of the country’s gross national product (GNP).

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<sup>46</sup>Dijana Plestina, “Democracy and Nationalism in Croatia: The First Three Years,” in *Beyond Yugoslavia: Politics, Economics, and Culture in a Shattered Community*, ed. Sabrina Petra Ramet and Ljubisa S. Adamovich (Boulder, CO: Westview Press, Inc., 1995), 125.

<sup>47</sup>Library of Congress, Federal Research Division, *Yugoslavia*, 164.

<sup>48</sup>Oscar Kovac, “Foreign Economic Relations,” in *Beyond Yugoslavia*, ed. Ramet and Adamovich, 286. The oil crisis of 1979 exacerbated the balance of payments deficit.

Table 2-1. Imports and exports as a percentage of GNP

	Year	
	1978	1984
Exports	11.1	18.8
Imports	22.8	22

Source: Oskar Kovac, "Foreign Economic Relations," *Beyond Yugoslavia*, ed. Ramet and Adamovich, 283.

The former Yugoslavia's exports in the late 1980s consisted of manufactured goods, ores, and simple processed goods. Over one-quarter of goods sold abroad were machinery and transportation equipment. Livestock was the most important agricultural export (primarily veal to Greece). The country's main export customers were Italy, the Soviet Union, France, Austria, Czechoslovakia, the United States and West Germany.<sup>49</sup>

The former Yugoslavia was a net importer of raw materials, fuels, iron and steel products, and capital equipment. The chief suppliers of petroleum products were the Soviet Union, Iraq, Libya, and Algeria. The former Yugoslavia always has had an overall shortage of energy resources. In 1989, domestic wells supplied only 26 percent of domestic raw petroleum requirements. Capital equipment was imported from West Germany, Italy, the United States, the Soviet Union, Great Britain, and Czechoslovakia. Due to the growing trade deficit, the former Yugoslavia adopted measures to cut non-essential imports and encouraged import substitution utilizing domestic industries. However, their reliance on petroleum products, raw materials, and capital goods remained.<sup>50</sup>

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<sup>49</sup>Library of Congress, Federal Research Division, *Yugoslavia*, 156.

<sup>50</sup> Ibid.

#### **4. Summary**

Initially, the former Yugoslavia's socialist self-management economy seemed to combine the best of capitalism and socialism. By 1980, however, the reality became clear that it combined the worst of both systems. Plestina states, "As inefficiencies mounted, output fell, unemployment and foreign indebtedness rose, inflation became hyperinflation, and severe regional economic inequalities grew worse."<sup>51</sup> The latter intensified the ethnic and religious tensions present in the society.<sup>52</sup> Further, the country's need to re-capitalize its economy led to trade deficits. Finally, the economy relied too heavily on imports of petroleum and raw materials. These problems were not only exacerbated by economic sanctions, but were targeted by them.

#### **D. CHAPTER CONCLUSIONS**

The beginning of the last decade of the twentieth century saw the former Yugoslavia in a precarious situation. Its economy in shambles due to the inefficiencies of socialist self-management, the former Yugoslavia needed to re-capitalize and modernize its industries. Further, it needed to privatize and transform its economy as the other Central European economies were doing. This required massive reorganization and assistance from the West. However, just as the federal government began implementing economic reform, macroeconomic improvements, and a privatization plan, four of the country's republics

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<sup>51</sup>Rosser and Rosser, *Comparative Economies*, 332.

<sup>52</sup>As an example, with only 25 percent of former Yugoslavia's population, Croatia and Slovenia contributed to 55 percent of the federal budget. Both regions felt that the money provided to the federalist state was not providing any economic or political dividends in return (from Plestina "Democracy and Nationalism," p. 126).

declared their independence. Secession not only caused vital inter-republic trade relations to be broken apart, but the subsequent war caused immense damage to the infrastructure of the newly formed countries. Economic reforms rapidly took second stage to the requirements of war. The splintering of the country also had its effect on the military and the military industrial complex. In short, four decades of socialist self-management and the fragmentation of the former Yugoslavia economies left these newly formed nations potentially vulnerable to the effects of economic sanctions.

### **III. ECONOMIC SANCTIONS**

The purposes of this chapter are two-fold. First, to introduce and discuss economic sanctions in terms of Hufbauer, Schott, and Elliot (HSE).<sup>53</sup> With HSE's theoretical framework in hand, the following section will introduce the economic sanctions imposed on the former Yugoslavia.

HSE's study conducts a comprehensive analysis of 116 cases since World War I where sanctions were used for foreign policy purposes. The authors identify various political and economic variables that effect the outcome of a sanctions episode. From these variables, HSE derive nine recommendations to be used when implementing a sanctions regime. The first section of this chapter will introduce and summarize HSE's methodology, the political and economic variables' effect on a sanctions episode, and their nine recommendations on implementing sanctions. In the following chapter, HSE's work will be used to analyze the effect sanctions on the former Yugoslavia had in achieving foreign policy goals.

With HSE's framework and findings in hand, the second part of this chapter will introduce the economic sanctions imposed on the former Yugoslavia by the United Nation's Security Council (UNSC). The four main sanctions are: United Nations Security Council Resolution (UNSCR) 713, which is the arms embargo on the former Yugoslavia; UNSCR 757, the economic sanctions imposed on the Federal Republic of Yugoslavia (Serbia and Montenegro); UNSCR 787, which authorized the enforcement of 713 and 757; and UNSCR 820, which tightens the sanctions regime by eliminating certain loopholes found in 757 and

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<sup>53</sup>From their book, *Economic Sanctions Reconsidered*, 2d ed., vol. 2.

787. Finally, an overview of the financial sanctions imposed against FRY (S/M) will be offered.<sup>54</sup>

#### A. ECONOMIC SANCTIONS – THEORETICAL ARGUMENTS

HSE studied 116 sanction episodes since World War I with the purpose of identifying circumstances where economic sanctions succeed in attaining foreign policy goals. Their work focuses on three major questions: “What factors – both political and economic – usually result in a positive contribution of sanctions to the achievement of foreign policy goals? What are the costs of sanctions to both target and sender countries, and to what extent do they influence policy decisions? And what lessons can be drawn from this experience to guide policymakers on the use of sanctions in the future?”<sup>55</sup> This section will summarize HSE’s answers to these questions. These answers, derived from 116 case studies, will be used to analyze the sanctions episode on the FRY (S/M) in the following chapter.

##### 1. Determining Success – The Success Equation

The success of an economic sanctions episode has two factors: one, the extent to which the sender’s foreign policy goals were achieved, and two, the contribution made by sanctions to a favorable outcome. HSE uses these two factors in a simple equation to determine the success of a sanctions episode. Each factor is indexed on a scale of one to four and then multiplied to get a composite score, which indicates the success or failure of an

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<sup>54</sup>The financial sanctions include UNSCR 757, which prohibits financial transactions with the FRY (S/M), and U.S. and western European efforts, which include the prevention of financial aid from organizations such as the World Bank and IMF.

<sup>55</sup>HSE, *Economic Sanctions Reconsidered*, 1.

episode. Thus, the composite score has a range from one to sixteen. In summary, the success equation looks like this:

$$\text{success of a sanctions episode} = \frac{\text{achievement of policy goals}}{(1 - 4)} \times \frac{\text{contribution made by sanctions}}{(1 - 4)}$$

HSE determine that a score of nine or higher to be a successful episode. A score of nine would indicate that sanctions were a modest contribution to the goal; a score of sixteen indicates that sanctions were a significant contribution to a successful outcome.<sup>56</sup> By this definition, HSE classify 35 percent of the 115 episodes as successes, as depicted in table 3-1.

**Table 3-1. Effectiveness of Economic Sanctions as a Foreign Policy Tool**

	N	Number of Successes	Number of Failures	Success ratio (% of total)
All Cases	115	40	75	35
<b>Multilateral sanctions</b>				
With U.S. involvement:				
1945-1990	78	26	52	33
1945-1970	30	16	14	53
1970-1990	48	10	38	21
<b>Unilateral U.S. sanctions:</b>				
1945-1990	55	16	39	29
1945-1970	16	11	5	69
1970-1990	39	5	34	13

*Source:* Kimberly Ann Elliott, "Evidence of the Costs and Benefits of Economic Sanctions," speech given before the Subcommittee on Trade of the House Committee on Ways and Means [on-line] (Washington D.C.: Institute for International Economics, 23 October 1997, accessed 09 September 1998); available from <http://www.iiee.com/sanctns.htm>; Internet.

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<sup>56</sup>Ibid., 42.

HSE determine features of the four gradients in each of the factors. Their descriptions and an example from their case studies are as follows:

*a) Policy Result – Extent policy goals were achieved.*

A score of one indicates that policy goals were not achieved. An example of a failed outcome is illustrated by the Soviet attempt to destabilize Tito from 1948 – 1955 (HSE case number 48-4). A score of two indicates ambiguity in determining the extent that policy goals were achieved, but there was possibly positive outcome. An ambiguous or unclear result is illustrated by the Arab League's long campaign against Israel, which to some extent has isolated Israel in the international community (case 46-1). A score of three indicates a positive outcome or a conditionally successful result was achieved. The United States' efforts to prevent a communist takeover of the Laotian government during the period 1956 – 1962 (case 56-4) is an example. Finally, a score of four indicates that policy goals were achieved. An example of a successful outcome is illustrated by the joint efforts of the United Kingdom and the United States to overthrow Idi Amin in Uganda in the late 1970's (case 72-1).<sup>57</sup>

*b) Contribution made by sanctions.*

A score of one indicates that sanctions had no effect or were a negative contributor in achieving policy goals, as illustrated United States' campaign against Noriega in Panama in 1988 – 1989 (case 87-1). A score of two indicates that sanctions had a minor

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<sup>57</sup>Ibid., 42.

contribution to achieving policy goals, as illustrated by the Soviet withdrawal of assistance from China in the 1960's (case 60-2). A score of three shows a modest contribution by sanctions, as illustrated by the withdrawal of Dutch and American economic aid to Suriname between 1982 and 1988 (case 82-2). Finally, a score of four is given to those cases where economic sanctions significantly contributed to achieving foreign policy goals, as illustrated by the United States' success in destabilizing the government of Rafael Trujillo in the Dominican Republic in 1960 through 1961 (case 60-1).<sup>58</sup>

## **2. Variables that Influence a Sanctions Episode**

A sanctions episode is influenced by a number of variables, both domestic and international, which can effect the outcome of the episode. HSE identify a number of these underlying variables and groups them into two categories: political variables and economic variables.

Political variables include companion policies (such as covert maneuvers, quasi-military activity, and regular military activity), the duration economic sanctions were in force, the extent of international cooperation in imposing sanctions, presence of international assistance to the target country, political stability and economic health of the target country, and the prior relations between sender and target countries.<sup>59</sup>

Economic variables include the cost imposed on the target country (expressed in absolute terms, in per capita terms, and as a percentage of its gross national product); the

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<sup>58</sup> Ibid.

<sup>59</sup> Ibid., 40.

nature of commercial relations between the sender and target countries; the relative economic size of the countries, measured by the ratio of their GNPs; the type of sanctions used, namely, export, import, or financial sanctions; and the cost to the sender country.<sup>60</sup>

### **3. Types of Foreign Policy Objectives**

When analyzing the effectiveness of economic sanctions in achieving foreign policy goals, “the first step is to distinguish between the types of foreign policy objectives sought in different sanctions episodes.”<sup>61</sup> HSE categorize foreign policy objectives into five groups: modest changes in the policies of the target country, destabilization of the target government, disruption of military adventures, impairment of military potential, and other major policy changes (for example, human rights goals such as ending apartheid in South Africa). HSE placed each of their 115 cases in one of the five foreign policy objective types. An overview of case success by policy goal type is shown in Table 3-2. HSE then identifies the presence and degree of the political and economic variables for each case. From there, they deduce the variables’ effect on whether or not sanctions positively contributed to that particular foreign policy type. For example, when seeking to destabilize a government as a foreign policy objective, HSE has determined which variables were important in achieving the objective and which were not. Specifically, “economic sanctions unassisted by companion measures

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<sup>60</sup>Ibid.

<sup>61</sup>Ibid., 49.

seldom achieve destabilization" and "when relations between sender and target were cordial before the episode, the chances of success were greater."<sup>62</sup>

Table 3-2. Success by type of policy goal

Policy goal	Success cases	Failure Cases	Success ratio (%)
Modest policy change	17	34	33
Destabilization	11	10	52
Disruption of Military adventures	6	12	33
Military impairment	2	8	20
Other major policy changes	5	15	25
All cases <sup>a</sup>	41	79	34

Source: HSE, *Economic Sanctions Reconsidered*, 93.

<sup>a</sup>Five cases are classified under two different policy goals. Since all but one of these cases are a failure, double-counting them adds a small negative bias to the success ratio.

#### 4. HSE's Recommendations

HSE judged 35 of the 115 cases to be at least partially successful. From these 35 cases, HSE determined that sanctions are most likely to be effective when the following nine recommendations are followed.

**(1) Don't bite off more than you can chew.** Policymakers often overestimate what sanctions can accomplish. While the economic impact on the target country may be pronounced, other factors also influence the impact of sanctions in

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<sup>62</sup>Ibid., 51.

determining political outcomes. HSE state that “sanctions are seldom effective in impairing the military potential of an important power, or in bringing about major changes in the policies of the target country.”<sup>63</sup> The goal needs to be relatively modest.

**(2) More is not necessarily merrier.** HSE state: “The greater number of countries needed to implement sanctions, the less likely it is that they will be effective.”<sup>64</sup> When more sender countries are involved in a sanctions case, competing interests and policy goals arise between them. Conflict and inconsistencies among the sender countries decreases the effects of sanctions. HSE conclude that, in most instances, multilateral sanctions are not associated with success.

This recommendation, made in 1990, may be subject to adjustment. Declining U.S. economic and political hegemony suggest that unilateral sanctions are ineffective (refer back to Table 2-1) and that because of today’s global economy, sanctions need to be multilateral in order to succeed. Excerpts from HSE’s 3d edition seem recognize the importance of multilateral sanctions, indicating a reversal on their previous recommendation. This area will be addressed in greater detail when analyzing the FRY (S/M) case.

**(3) The weakest go to the wall.** There is a direct correlation between the political and economic health of the target country and its susceptibility to economic

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<sup>63</sup>Ibid., 94.

<sup>64</sup>Ibid., 95.

pressure. “Countries in distress or experiencing significant problems are far more likely to succumb to coercion by the sender country.”<sup>65</sup>

**(4) Attack your allies, not your adversaries.** When the sender and the target are friendly toward each other and conduct substantial trade with each other prior to the imposition of sanctions they are more likely to succeed. “Economic sanctions seem most effective when aimed against erstwhile friends and close trading partners.”<sup>66</sup>

**(5) Sanctions are imposed quickly and decisively.** Sanctions that are imposed slowly or incrementally allow time for the target country find ways to circumvent the sanctions regime. Further, slow-going sanctions “may strengthen the target government at home as it marshals the forces of nationalism.”<sup>67</sup>

**(6) Inflict heavy costs on the target country.** Cases in which the target country experiences heavy economic costs are generally successful. “The average cost to the target for all successful cases was 2.4 percent of GNP; by contrast, failed episodes barely dented the economy of the target country, with costs averaging only 1.0 percent of GNP.”<sup>68</sup>

**(7) The sender avoids high costs to itself.** The greater the cost to the sender, the less likely it is that sanctions will succeed. In most of the cases, the cost to the sender is insignificant. In fact, a short-term net gain is achieved as foreign aid and credits are cut off.

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<sup>65</sup>Ibid., 96.

<sup>66</sup>Ibid., 99.

<sup>67</sup> Ibid., 100.

<sup>68</sup> Ibid., 101.

Additionally, financial sanctions are less costly to the sender than trade sanctions. The use of financial coercion – manipulation of economic aid, denying official credits, or freezing assets – allows the target country to conduct limited trade, albeit at somewhat lower levels. The cost of financial sanctions are incurred by the target's businesses and trading houses and not by the sender. Further, existing contracts between the target and sender countries are less likely to be effected than if retroactive trade sanctions were applied. Finally, financial sanctions may be directly focused on the assets and finances of the target country's leadership, thereby transferring the costs of the sanctions episode to those responsible for the respective conflict.

**(8) Choose the right tool for the job.** Economic sanctions are often employed along with other coercive measures against the target, such as covert action, quasi-military measures, or regular military operations. Companion measures are used most effectively in cases where the foreign policy goal is to destabilize the target or impair its military potential. Companion measures were used least in cases seeking modest policy changes.

This recommendation is also problematic, as it is difficult to judge which policy tool – sanctions or the military force – influenced the attainment of foreign policy goals more. This issue will be addressed in the following chapter as well.

**(9) Look before you leap.** The sender must avoid knee-jerk reactions to a foreign policy crisis, if a sanctions episode is to be successful. In fact, sanctions may not be an appropriate response to a crisis. “Sender governments should think through their means

and objectives before taking a final decision to deploy sanctions.”<sup>69</sup> Sanctions chosen must be appropriate to the situation and tailored to the objectives. Sanctions are described as a blunt instrument, or using a military term, they cause extensive collateral damage. The unintended effects of sanctions are many, including hurting children and the elderly or, to use a military term again, non-combatants.

### 5. Criticisms of HSE’s study

In addition to the definitional criticisms of HSE, there are a number of other criticisms over HSE’s methodology and analysis.<sup>70</sup> Some of the critics, like van Bergeijk, discount HSE’s findings, while others, like Looney and Knouse, build on the framework established by HSE. Further, there exists a general belief that sanctions will not succeed in altering the foreign and military policy of the target, adding to the critics of HSE.<sup>71</sup> Despite these criticisms, however, HSE’s work is the “major empirical study in the field”<sup>72</sup> and as “the only major large-N study of sanctions, the HSE database has become the bedrock study on the effectiveness of economic sanctions.”<sup>73</sup> The third edition to HSE’s *Economic*

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<sup>69</sup>Ibid., 105.

<sup>70</sup>See Shane Bonetti, “The Analysis and Interpretation of Economic Sanctions,” *Journal of Economic Studies* 24, no. 5 (1997); Pape, “Why Economic Sanctions Do Not Work;” Peter A. G. van Bergeijk, “The Effectivity of Economic Sanctions: Illusion or Reality,” *Peace Economic, Peace Science, and Public Policy* 2, no. 1 (Fall 1994); and Robert E. Looney and Craig Knouse, “Predicting the Success of Economic Sanctions,” *The Jerusalem Journal of International Relations* 13, no. 2 (1991).

<sup>71</sup>David Cortright and George A. Lopez, “Economic Sanctions in Contemporary Global Relations,” *Economic Sanctions: Panacea or Peacebuilding in a Post-Cold War World?* ed. Cortright and Lopez (Boulder, CO: Westview Press, 1995), 7.

<sup>72</sup>Ibid.

<sup>73</sup>Pape, “Why Economic Sanctions Do Not Work,” 92. Further, in *Coercive Cooperation*, Martin calls HSE’s work the “invaluable data set” (p. xi).

*Sanctions Reconsidered* is due to be released in January 1999 and will include revisions to its original findings<sup>74</sup>; presumably, for example, modifying its controversial recommendation that unilateral sanctions are more successful than multilateral sanctions. Until then, this thesis will utilize the “bedrock study” of HSE’s second edition.

## 6. Summary

With an overview of HSE’s methodology and findings in hand, a sketch of the sanctions episode on the FRY (S/M) will be provided in the following section. The next chapter will provide an analysis of the sanctions episode and determine what extent sanctions had in achieving policy goals in the former Yugoslavia. Of importance in that chapter is the resolution of HSE’s controversial recommendations, namely the effectiveness of unilateral versus multilateral sanctions, determining the role of companion policies in a sanctions episode, and the importance of conducting an analysis of the target’s economy prior to sanction implementation.

## B. UN SANCTIONS ON THE FORMER YUGOSLAVIA

### 1. UNSCR 713 – The Arms Embargo

In response to JNA combat in Croatia, the European Community (EC) mediated a cease-fire on 28 June 1991. In an attempt to force compliance with the cease-fire, foreign ministers of the EC imposed an arms embargo on the former Yugoslavia and froze all EC financial aid. The United States followed suit in July 1991. In September 1991, the arms embargo – UNSCR 713 – was passed by the UN Security Council. To summarize 713, “the

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<sup>74</sup>Kimberly Elliott, email to the author dated 17 September 1998.

Council fully supports the collective efforts for peace and dialogue in Yugoslavia, and decides that all States immediately implement a general and complete embargo on all deliveries of weapons and military equipment to Yugoslavia [all states and provinces that made up Yugoslavia].”<sup>75</sup> There were no enforcement provisions in this resolution. A subsequent resolution, UNSCR 724, passed in December 1991, established a sanctions committee that was charged to monitor compliance with the arms embargo. Still without enforcement provisions, the committee relied on governments and customs agencies for enforcement and to report violations.

The arms embargo was the most controversial resolution concerning the sanctions on the former Yugoslavia. Article 2, paragraph 7 of the UN charter prohibits the United Nations from intervening in a state’s domestic matters. Since Croatia and Slovenia were not yet recognized by the United Nations, UNSCR 713 was in violation of the UN charter.<sup>76</sup> Interestingly enough, the Federal Government of Yugoslavia consented to the arms embargo. The controversies and the effects of this embargo will be addressed in detail in the next chapter.

## **2. UNSCR 757 – Economic Sanctions**

As the fighting continued in Croatia and Bosnia-Herzegovina in 1992, the UN and European Community (EC) tried in vain to negotiate a cease-fire. The Security Council

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<sup>75</sup>United Nations, “The United Nations and the Situation in the Former Yugoslavia” [on-line] (New York: UN Department of Publication, 30 April 1995, accessed 21 April 1998), available from <http://gopher.undp.org./unearth/pko/dpi1312.r4>; Internet, 10 of 307.

<sup>76</sup>At that time, Germany was the only country to recognize these two nations.

determined the situation in Bosnia-Herzegovina constituted a threat to world peace and on 30 May 1992 issued UNSCR 757 which implemented economic sanctions against the FRY (S/M). “The Council condemns the failure of the authorities in the Federal Republic of Yugoslavia (Serbia and Montenegro) to take effective measures to fulfill the requirements of resolution 752 [UNSCR 752 calls for all parties in Bosnia-Herzegovina to cease hostilities and for outside states to end their support to the warring factions], and decides to impose comprehensive mandatory sanctions against that country.”<sup>77</sup> These sanctions included blocking all assets and prohibiting imports and exports of all commodities and products, except for certain humanitarian items, such as medical supplies and foodstuffs.

UNSCR 757’s intent was to provide a comprehensive sanctions regime on FRY (S/M), however, one large loophole existed. The Resolution allowed temporary entry into Serbia and Montenegro, for transshipment purposes to a third country, of goods not originating in these provinces. Once the goods entered it was difficult to ensure they did not remain there. Further, forged certificates of origin made it difficult to ensure goods did not originate from Serbia and Montenegro.

UNSCR 757 was directed solely at the FRY (S/M). This is the first indication that the Serbs were officially identified as the primary antagonists in the conflict and targeted as such. “In reporting to Congress, President Bush blamed Serbia and Montenegro for ‘their involvement in a support for groups attempting to seize territory in Croatia and Bosnia-Herzegovina by force and violence, utilizing in part the forces of the so-called Yugoslav

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<sup>77</sup>United Nations, “Situation in the Former Yugoslavia,” 17 of 307.

National Army.”<sup>78</sup> However, this indicates another weakness of the Resolution; it did not target FRY (S/M)’s proxies in Croatia and Bosnia-Herzegovina. In short, the Bosnian Serbs and Croatian Serbs (in the Krajina region), who were directly participating in the war, were not targeted by sanctions as the United States and the European Union countries concluded the FRY (S/M) was solely responsible for the conflict.

Finally, there were no enforcement provisions in UNSCR 757. On 10 July 1992, the Council of Foreign Ministers of the Western European Union (WEU) established the WEU monitoring operation in the Adriatic Sea. NATO followed suit on 15 July 1992 and undertook its own monitoring operation in the Adriatic. The WEU operation was codenamed “Sharp Vigilance” and operated in the Straits of Otranto, while the NATO operation was codenamed “Maritime Monitor” and operated off the coast of Montenegro.<sup>79</sup> These operations were only authorized to monitor shipping in the area. Enforcement of 757 and 713 was not allowed.

### **3. UNSCR 787 – Enforcing the Sanctions**

Violations of the embargo continued through Montenegrin ports on the Adriatic and through ship and barge traffic on the Danube River. On 16 November 1992 UNSCR 787 was passed in response to these violations. This resolution calls for maritime interception operations to enforce Resolutions 713 and 757. To summarize Resolution 787:

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<sup>78</sup>Public Papers of the Presidents of the United States: George H. Bush 1992 - vol.II (Washington, D.C.: Government Printing Office, 1993), quoted in Hull, Imposing International Sanctions, Internet.

<sup>79</sup>See the Annex for more detail and information on the maritime role in sanctions monitoring and enforcement.

The Council, acting under Chapter VII of the Charter, decides to prohibit the transshipment through the Federal Republic of Yugoslavia (Serbia and Montenegro) of certain products unless such transshipment is specifically authorized, and that any vessel in which a majority or controlling interest is held by a person or undertaking in or operating from the Federal Republic of Yugoslavia (Serbia and Montenegro) shall be considered a vessel of the Federal Republic of Yugoslavia (Serbia and Montenegro) regardless of the flag under which the vessel sails. The Council calls upon States, acting nationally or through regional agencies or arrangements, to use such measures as may be necessary to halt all inward and outward maritime shipping in order to inspect and verify their cargoes and destinations and to ensure strict implementation of the provisions of resolutions 713 (1991) and 757 (1992).<sup>80</sup>

The elimination of transshipments included strategic commodities such as oil, natural gas, tires, and vehicles. The Sanctions Committee would authorize exceptions on a case-by-case basis.

In order to implement this resolution, NATO and WEU adopted rules of engagement for their squadrons. These rules authorized the maritime forces to intercept and board all inbound and outbound shipments destined to or originating from Montenegrin ports. Along the Danube River, Romanian and Bulgarian customs officials primarily carried out the enforcement.

#### **4. UNSCR 820 – Closing the Loopholes**

UNSCR 820, implemented in April 1993, tightened the embargo on the FRY (S/M). The implementation of this resolution was in response to the Bosnian Serbs' failure to endorse the Vance-Owen Peace Plan.

The Council commends the peace plan for Bosnia and Herzegovina, welcomes the fact that the plan had been accepted in full by two of the Bosnian parties and calls on the Bosnian Serb party to accept the peace plan in full. It decides to strengthen the sanctions regime imposed against the Federal Republic of Yugoslavia (Serbia and

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<sup>80</sup>United Nations, "Situation in the Former Yugoslavia," 119 of 307.

Montenegro) effective nine days after the date of adoption of the resolution, unless the Bosnian Serb party signs the peace plan and cease their military attacks in Bosnia and Herzegovina.<sup>81</sup>

This resolution focuses on the enforcement of the embargo. The seizure and confiscation of goods and vessels found in violation were now authorized. Further, transshipments through FRY (S/M) territory and along the Danube River were prohibited, unless approved by the Sanctions Committee. Enforcement measures along the Danube were also strengthened.

#### **C. FINANCIAL SANCTIONS – “THE OUTER WALL”**

Despite the lifting of UN sanctions against the FRY (S/M) in 1996, an informal “outer wall” of sanctions remains in place. This “outer wall” of sanctions exists to prohibit FRY (S/M) from receiving financing from international financial institutions and the U.S. Government. The United States has helped block the membership of FRY (S/M) in institutions such as the World Bank, International Monetary Fund (IMF), and European Bank for Reconstruction and Development. Without membership, the FRY (S/M) cannot apply for loans from these institutions, cutting it off from key sources of financing for major infrastructure improvements, re-capitalization programs, and private sector development projects. In addition, U.S. Government financing institutions such as the Trade and Development Agency, U.S. Export-Import Bank, and the Overseas Private Investment Corporation provide no coverage for projects involving the FRY (S/M).

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<sup>81</sup>United Nations, “Situation in the Former Yugoslavia,” 121 of 307.

The United States withdrew FRY (S/M)'s Most Favored Nation (MFN) trading status on 16 October 1992 for failure to comply with provisions of the Helsinki Final Act; particularly those concerning human rights and humanitarian affairs, and failing to respect the rights of minority groups. Duty rates applied to imports from the FRY (S/M) and U.S. exports to the FRY (S/M) do not enjoy MFN status and are thus subject to the highest possible tariff allowable. The "outer wall" has remained in place to be used as leverage in the diplomatic effort to ensure FRY (S/M) compliance with the Dayton Peace Accord. In addition, the situation in Kosovo is being tied to these financial sanctions. Recent articles about financial sanctions state that they were the most influential sanctions tool in the FRY (S/M) case and are being looked upon to improve sanctions strategy. These issues will also be addressed in the following chapter.

#### **IV. MEASURING EFFECTIVENESS**

Economic sanctions were the mainstay of U.S., UN, and European policy toward the former Yugoslavia from 1991 through 1998. Even before the dissolution of Yugoslavia in 1991, the U.S. Congress threatened the country with sanctions to protest Serbian human rights violations of ethnic Albanians in the Kosovo province. At the time of this writing, sanctions and the use of force are being threatened over Serbian atrocities in Kosovo. As such, economic sanctions have been the coercive foreign policy tool of choice for the region.

Sanctions against the former Yugoslavia began in 1991 in response to the crisis over Slovenian and Croatian secession. When the war spread to Bosnia-Herzegovina in 1992, the Serbs were labeled as the aggressors and sanctions were placed on the FRY (S/M). These sanctions were strengthened in 1993 by two UN Security Council Resolutions: UNSCR 787 that called for the use of force to enforce the sanctions and UNSCR 820 that closed loopholes found in the existing sanction regime. Finally, in 1994 the UN Security Council extended the existing sanctions to cover Serbian-held territory in the Republic of Bosnia-Herzegovina (UNSCR 942).

The signing of the Dayton Peace Accord in November 1995 ended the armed conflict in Bosnia-Herzegovina and its various provisions set out to establish Bosnia-Herzegovina as a multi-ethnic state. The purpose of this chapter is to analyze the influence of sanctions in ending the conflict in Bosnia-Herzegovina and the implementation of the Dayton Accord. In doing so, this chapter will first determine what the sender countries' foreign policy objectives were. Next, an explanation of the political and economic variables will be provided and

finally, a summary of David Owen's and Richard Holbrooke's diplomatic efforts will be offered, concentrating on how they used sanctions as a tool of coercion against the FRY (S/M).

In analyzing a sanctions episode, the first step is to identify the type of foreign policy objective sought by the sender country. HSE identify five major groups of foreign policy objectives: "modest changes in policy, destabilization of the target government, disruption of military adventures, impairment of military potential, and other major policy changes."<sup>82</sup> The first section of this chapter will identify what type of foreign policy objective was sought in the former Yugoslavia case. Statements from U.S. and European political leaders, as well as the UN Security Council Resolutions, will provide insight to the specific objective being sought.

Beside the type of policy objective being sought, there are a number of underlying factors, or variables, that may influence the outcome of a sanctions episode. HSE has divided these variables into two groupings, political variables and economic variables. Political variables consist of the existence of companion policies (covert maneuvers, quasi-military activity, and regular military activity), the number of years economic sanctions were in force, the extent of international cooperation in imposing sanctions, the presence of international assistance to the target country, political and economic stability of the target country, and the warmth of prior relations between the sender and target countries. Economic variables include the cost imposed on the target country (expressed in absolute terms, in per capita

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<sup>82</sup>HSE, *Economic Sanctions Reconsidered*, 49.

terms, and as a percentage of the target's gross national product [GNP]), commercial relations between sender and target countries, relative economic size of the countries, type of sanctions used (import, export, and financial), and the cost to the sender country.<sup>83</sup>

The next section of this chapter will frame its analysis around the important variables that influence a sanctions episode using evidence drawn from numerous sources, such as UN, NATO, and official documents; the diplomatic efforts of Lord David Owen and Richard Holbrooke; financial analysis from the World Bank and International Monetary Fund; and newspapers and journals.

#### A. FOREIGN POLICY GOALS

Developing a consistent, unitary policy towards the former Yugoslavia was a difficult task for the United Nations Security Council, European states, and the United States. Historically, the ethnic groups in the former Yugoslavia each had their own overseas supporters or allies. For example, France and the Russia have historical ties to the Serbians<sup>84</sup> while Germany has ties to the Croatians and Slovenes. The United Kingdom and the United States, having weak links to these ethnic groups, eventually sided with the Bosnian-Muslims. The potential implications of this situation were particularly grave, as the conflict in the former Yugoslavia potentially had NATO members and the permanent members of the UN Security Council on opposing sides in the Balkan conflict. This drawing of sides made it

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<sup>83</sup>Ibid., 40.

<sup>84</sup>For evidence of French-Serbian collaboration, see R. Jeffrey Smith, "Secret Meetings Killed Karadzic Capture Plan," *Washington Post*, 23 April 1998, 1(A) and "Serbs Were Given NATO Targets," *Times Newspapers* (London), 03 November 1998.

difficult to obtain a consensus on the formulation and implementation of a policy towards the former Yugoslavia.

Within the United States, establishing policy towards the former Yugoslavia was also difficult. By the late 1980s, the United States' position on the former Yugoslavia was to support unity and democracy in that country. With the marked rise in nationalism that followed the 1990 federal election in the former Yugoslavia, these goals were antithetical. This election placed nationalist leaders in the republics of Slovenia, Croatia, and Serbia, with the Slovene and Croat presidents espousing independence.<sup>85</sup> Warren Zimmerman, the last U.S. Ambassador to Yugoslavia (1989-1992), explains the contradictions in U.S. policy towards the former Yugoslavia: ‘If unity was sacrificed on the altar of Slovenian or Croatian democratic self-determination, war would result, and democracy , as well as unity would suffer. Conversely, if the Yugoslav army and Milosevic tried to hold the country together by force, there would be armed resistance from Slovenia and Croatia, and both democracy and unity would be sacrificed.’<sup>86</sup>

As war descended upon the former Yugoslavia, the goal for unity was abandoned. In its place, the United States and the Europeans championed self determination and sought to blame the Serbs for its aggression in the former Yugoslav republics. As former U.S. Ambassador Zimmerman noted, “Throughout the spring [1992], Washington had instructed

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<sup>85</sup>Slobodan Milosevic in Serbia, Franjo Tudjman in Croatia, and Milan Kucan in Slovenia. This election left the Yugoslav government, led by Prime Minister Ante Markovic, weak and ineffective.

<sup>86</sup>Warren Zimmerman, *U.S. and Russian Policy Making with Respect to the Use of Force* [book on-line], ed. Jeremy R. Azrael and Emil A. Payin (Santa Monica, CA: Rand Corporation, 1996, accessed 07 April 1998); available from <http://www.rand.org/publications/CF/CF129>; Internet.

me to warn Milosevic that, if war came, we would assign major blame to him; Serbia would be isolated, a pariah.”<sup>87</sup> The arms embargo and economic sanctions were the means for the sender countries to isolate and punish Serbia [FRY (S/M)] for its role as aggressor in the former Yugoslav republics.

Once the sanctions regime was in place against the FRY (S/M), the use of it as a tool of coercion was inconsistent between the United States and the European states. The United States sought to demonize Milosevic, just as it had done against Saddam Hussein during the Gulf War. The European states, on the other hand, viewed Milosevic as a pragmatist who could be bargained with.<sup>88</sup> This led to yet another contradiction. While the Europeans used sanctions in a “carrot and stick” manner, rewarding him for concessions made during negotiations, the United States found it difficult to reward a demonized leader. Utilizing the sanctions regime as leverage during negotiations will be addressed in more detail in the last section of this chapter.

The sender countries’ policy goals towards the former Yugoslavia evolved over time as the crisis took on new facets . As such, so did the use of sanctions in achieving those goals. Conflicts and competing interests between the sender countries, however, played a major obstacle in defining clear cut policy goals as well as a sanctions strategy for the former Yugoslavia. Once defined, however, sanctions provided the sender countries substantial leverage against the FRY (S/M) in forcing a negotiated settlement and ending the conflict.

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<sup>87</sup>Ibid.

<sup>88</sup>Owen, *Balkan Odyssey*, 124-125.

The following sections will define the policy goals sought by the sender countries through the arms embargo and economic sanctions.

### **1. UNSCR 713 – Arms Embargo**

The European Community initiated an arms embargo in June 1991 and the United States followed suit the following month. At the onset of the conflict, the Conference on Security and Cooperation in Europe (CSCE) attempted to restore peace and dialogue in Yugoslavia.<sup>89</sup> The United Nations became actively involved in the crisis in Yugoslavia on 25 September 1991 when the Security Council unanimously adopted Resolution 713. “By its resolution, the [UN Security] Council invited the Secretary-General to offer his assistance in consultation with the Government of Yugoslavia and all those promoting the peace efforts.”<sup>90</sup> This resolution expressed deep concern at the fighting in that country and called on all members to implement immediately a complete embargo on the deliveries of weapons and military equipment to Yugoslavia. The United Nations’ goal was to stop the fighting in Yugoslavia by limiting the amount of arms entering the region and to undertake diplomatic efforts to stop the fighting. This theory had two major problems. First, the abundant stockpiles of weapons available throughout the former Yugoslavia, especially in Bosnia-Herzegovina (as mentioned in Chapter II), allowed the warring factions to continue the conflict for years without the need for imports of arms and ammunition. Second, the debate

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<sup>89</sup>Now known as the Organization for Security and Cooperation in Europe, or OSCE.

<sup>90</sup>United Nations, “Situation in the Former Yugoslavia,” 53 of 307.

that arose over the legality of the resolution considering that Slovenia, Croatia, and Bosnia-Herzegovina were recognized by the United Nations.

UNSCR 713 was imposed on the still intact Yugoslavia in September 1991; the United Nations had yet to recognize the breakaway republics of Slovenia, Croatia, and Bosnia-Herzegovina. The United Nations recognized these countries in May 1992, however, the arms embargo remained in place on the entire former Yugoslavia. Opponents of the arms embargo point to Article 51 of the UN Charter, which allows a state the use force to defend itself against outside aggression.<sup>91</sup> The arms embargo prevented these newly formed states, recognized by the United Nations, from defending themselves against Serbian aggression. While the Slovenes and Croats were prepared for conflict with the JNA, the army of Bosnia-Herzegovina was totally unprepared for war. When war broke out there in March 1992, the army of Bosnia-Herzegovina lacked the heavy weapons to counter the JNA and BSA's tanks and heavy artillery, resulting in tremendous losses in both territory and lives. Despite the fact that the Serbs were labeled as the aggressors in the conflict, Bosnia-Herzegovina was unable to purchase the requisite armaments necessary for its defense.<sup>92</sup> As such, the legal and moral debate continues over UNSCR 713.

In terms of HSE, the sender countries' primary foreign policy goal was to "impair the military potential of the target country" through the arms embargo. UNSCR 713 would deny

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<sup>91</sup>Lois Fielding, *Maritime Interception and UN Sanctions: Resolving Issues in the Persian Gulf War, the Conflict in the Former Yugoslavia, and the Haiti Crisis*, (San Francisco: Austin and Winfield, 1997), 43.

<sup>92</sup>Covert arms shipments, primarily small arms and ammunition, were eventually delivered to the army of Bosnia-Herzegovina. This issue will be addressed in the "Political Variables" section of this chapter.

the warring factions war-making material and force them to a negotiated settlement. HSE comment on this type of policy goal: “Attempts to impair the military power of an adversary usually encompass an explicit or implicit goal – however elusive – of destabilizing the target country’s government.”<sup>93</sup> When UNSCR 713 was implemented, this corollary was not the case for the former Yugoslavia as the United States and the European states wanted a negotiated settlement that would fulfill the dual goals of unity and democracy. Once the war started, however, the corollary did apply to Milosevic’s FRY (S/M).

In the short term, UNSCR 713 had minimal effect on the ability of the warring factions to carry out armed conflict, and thus was ineffective in ending the conflict. However, there are often unintended consequences from the use of such foreign policy tools. The following will describe some of these unintended consequences that indicate that the arms embargo was an important part of the overall effort to bring about peace in the region.

*a) Unintended Consequences of the Arms Embargo*

David Owen, Co-Chairman of the Steering Committee of the International Conference on the Former Yugoslavia (ICFY), was charged with negotiating a peaceful settlement in Bosnia-Herzegovina. In his book, *Balkan Odyssey*, he refutes the arguments that claim the arms embargo was illegal and immoral by identifying three positive results from the arms embargo, all of which were unintended. The intent of the arms embargo was to diminish the fighting in the former Yugoslavia by limiting the supply of arms to the region. As mentioned before, this policy goal resulted in failure. Owen, however, counters this fact

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<sup>93</sup>HSE, *Economic Sanctions Reconsidered*, 39.

by stating that the unintended consequences, or the ends, justified the means; that although the arms embargo failed in its intent, there were positive outcomes from it.

Owen's first point is that the arms embargo saved lives. The conflict in Bosnia-Herzegovina created a grave humanitarian crisis. When international relief efforts were targeted by the Bosnian Serbs, the UN Security Council passed UNSCR 758 (1992) which deployed military observers (UN Protection Force or UNPROFOR) to Sarajevo to supervise the withdrawal of BSA anti-aircraft weapons. Their mission facilitated the safe delivery of relief supplies to the Sarajevo airport. UNPROFOR's mission eventually was expanded to protect relief convoys delivering aid throughout Bosnia-Herzegovina.

As the situation in Bosnia-Herzegovina worsened, the United States advocated a "lift and strike" policy. This policy specified the lifting of the arms embargo in order to supply the army of Bosnia-Herzegovina with heavy weapons. NATO air strikes would be conducted against BSA positions to prevent a pre-emptive strike by the BSA while the mass influx of weapons were being delivered to the army of Bosnia-Herzegovina. This policy met strong opposition from the European states, as they provided the troops for the UNPROFOR contingent. The Europeans believed that NATO airstrikes would effect the neutral status of their lightly armed troops, effectively making them a target for the BSA. Thus, they threatened to pull the UNPROFOR contingent out of Bosnia-Herzegovina. Lifting the arms embargo without the airstrikes would also escalate the conflict by provoking the BSA to conduct an all out offensive prior to the delivery of weapons to the army of Bosnia-Herzegovina. In effect, the arms embargo prevented the United States from taking more aggressive actions and thereby escalating the war. Owen concludes: "Living with the arms

embargo, for all its inconsistencies and evasions, was never an immoral position for it ensured the continuation of UNPROFOR's humanitarian mandate for the first few years, when it saved hundreds of thousands of lives.”<sup>94</sup>

Secondly, the arms embargo prevented permanent members of the UN Security Council, not to mention NATO members, from openly supplying different sides of the dispute with arms. The covert supply of arms to Bosnia-Herzegovina was a “pragmatic relaxation” of the embargo, and yet, still prevented an open confrontation between members.<sup>95</sup>

Finally, the arms embargo prevented high-tech weapons from entering the conflict in Bosnia-Herzegovina. This conflict was fought primarily with World War II and 1950’s vintage equipment (for example, the BSA’s T-34 and T-54/55 tanks, respectively). More advanced weapons mean an increase in lethality and the arms embargo prevented this.

## **2. Economic Sanctions – UNSCR 757, 787, and 820**

UNSCR 757 initiated the economic sanctions regime against the FRY (S/M) in response to Serbian transgressions in Bosnia-Herzegovina. “The Council condemns the failure of the authorities in the Federal Republic of Yugoslavia (Serbia and Montenegro) to take effective measures to fulfill the requirements of resolution 752 [calls for all parties in Bosnia-Herzegovina to cease hostilities and for outside states to end their support to the

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<sup>94</sup>Owen, *Balkan Odyssey*, 382.

<sup>95</sup>“The Russian government in comparison by and large maintained the arms embargo against the Serbs.” However, Russian generals, operating on the black market, did deliver spare parts to the Serbs and Croats. *Ibid.*, 383.

warring factions], and decides to impose comprehensive mandatory sanctions against that country.”<sup>96</sup>

The key demands of this resolution are five-fold. First, it requires that all parties cooperate with the efforts of the European Community to bring about urgently a negotiated political solution to the conflict in Bosnia. Second, during such negotiations, all sides must respect the principle that any change in the borders by force is not acceptable. Third, that all forms of interference from outside Bosnia-Herzegovina cease immediately. This specifically addresses the withdrawal of JNA and Croatian Army units deployed in Bosnia-Herzegovina. Fourth, to recognize and respect the territorial integrity of Bosnia-Herzegovina. Finally, that all irregular forces in Bosnia-Herzegovina be disbanded and disarmed. This includes not only Serbian paramilitary units, such as Arkan’s Tigers, but the mujahideen units operating with the Army of Bosnia-Herzegovina.<sup>97</sup> UNSCR 787 established the maritime enforcement of UNSCR 713 and 757 in the Adriatic Sea and on the Danube River. This resolution also re-emphasizes the policy goals found in UNSCR 713 and 757.

UNSCR 820 closed the loopholes in UNSCR 757, which included tightening the financial sanctions on FRY (S/M). Further, it strengthened enforcement measures in the Adriatic Sea and on the Danube River. This resolution reaffirmed the original goals stated in UNSCR 757, however, with one important difference; UNSCR 820 was specifically tied to the peace negotiations. This resolution was passed in response to the Bosnian-Serb failure to

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<sup>96</sup>United Nations, “Situation in the Former Yugoslavia,” 6 of 307.

<sup>97</sup>Ibid., 128 of 307.

sign the Vance-Owen Peace Plan. Interestingly enough, this resolution was not targeted against the Bosnian Serbs for their lack of compliance. Rather, it was directed solely at Milosevic's FRY (S/M).

During the previous negotiations, from the outbreak of hostilities to the failed Vance-Owen Peace Plan, the one stumbling block was a Bosnian-Serb endorsement to any given peace plan. Thus, the tactic of the European negotiators, and later the U.S. negotiation team led by Richard Holbrooke, was to force Milosevic to not only represent the FRY (S/M), but the Bosnian Serbs as well. This tactic of "splitting the Serbs" circumvented the ultra-nationalist Bosnian-Serb leadership (Radovan Karadzic and BSA General Ratko Mladic), thereby eliminating them as a blocking force to any future peace proposals. David Owen states: "I had no doubt then, and have never doubted since, that it was the prospect of financial sanctions which Milosevic most feared: the chance of avoiding any further economic misery was too attractive domestically for him to go on humoring Karadzic as he obstructed virtually any deal."<sup>98</sup>

Getting Milosevic to negotiate on behalf of the Bosnian Serbs ran counter to a major FRY (S/M) policy goal; that being a Greater Serbia. Milosevic rose to power on a nationalist platform. Once it became evident that the former Yugoslavia would break apart, Milosevic espoused the policy of uniting all the Serbs under the FRY (S/M) umbrella of a "Greater Serbia." If the west wanted to "split the Serbs" and have Milosevic sign a peace accord that included UN Security Council Resolution goals, then the west had to force Milosevic to

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<sup>98</sup>Owen, *Balkan Odyssey*, 153.

abandon the “Greater Serbia” concept. Owen states that sanctions had an effect in forcing Milosevic to abandon this ideal: “From this point, 25 April 1993, onwards Milosevic formally gave up Greater Serbia and argued for a settlement on terms a majority in the Security Council could have accepted, and throughout the next two years he did not waver in seeking such a solution.”<sup>99</sup>

### **3. Summary of the Political Goals of Sanctions**

The political goal of the arms embargo was to impair the military potential of the target country (the former Yugoslavia). The basis for this method was the belief that if armaments were prevented from entering the former Yugoslavia, the warring factions would run out of the equipment needed to conduct war. The political goal for the economic sanctions was to change the target country’s policy in a major way, that being to change Milosevic’s goal of a greater Serbia under the FRY (S/M). Within this main goal consists the complementary goals of disrupting a minor military adventure, impairing the military potential of the target country, and, especially for the United States, to destabilize the target government. As HSE point out, a sanctions episode may have more than one objective. In these instances, HSE state, “such cases are classified according to the most difficult objective.”<sup>100</sup> As such, this case is classified as one of changing the target country’s policy in a major way.

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<sup>99</sup>Ibid.

<sup>100</sup>HSE, *Economic Sanctions Reconsidered*, 38.

## **B. VARIABLES AND OUTCOMES**

HSE identify nine variables that may influence the outcome of a sanctions episode.

These variable have been grouped into two categories, political and economic. The political variables include: companion policies used by the sender, the number of years economic sanctions were in force, the extent of international cooperation in imposing sanctions, the presence of international assistance to the target country, the political stability and economic health of the target country, and the warmth of prior relations between the sender and target countries. The economic variables include: the cost imposed on the target country, the commercial relations between sender and target countries, the relative economic size of the sender and target countries, the type of economic sanctions used (export, import, and/or financial), and the cost to the sender country. This section will identify these variables in order to determine how the variables effected the sanctions episode.

### **1. Political Variables**

#### **a) *Companion Policies***

HSE classify companion policy measures into three types, covert action, quasi-military action, and regular military action. Companion policies such as these are often invoked when the policy goal is to destabilize the target government or to exhort a major policy change from the target country.<sup>101</sup> All three types of companion policies were present during the conflict in Bosnia-Herzegovina.

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<sup>101</sup>Ibid., 43.

Covert action is defined as “the attempt by a government or group to influence events in another state or territory without revealing its own involvement. Seeking to influence others is, of course, the stuff of politics and foreign policy.”<sup>102</sup> Due to the nature of covert action, it is impossible to identify every action. Evidence does exist, however, of the covert re-supply and training of the Croatian Army and the army of Bosnia-Herzegovina.

By 1995, both policies had an important effect in changing the balance on the battlefield, allowing the Croatian army defeat the Croatian-Serbs and the army of Bosnia-Herzegovina and the Bosnian-Croat army re-gain territory lost to the Bosnian Serbs. Of arms shipments delivered to Croatia, David Owen notes: “By late 1992 the arms embargo was barely touching Croatia, and though the FRY (S/M) sent details of arms coming in to the Security Council, nothing was done to halt the supplies. Soon the Croatian army was being equipped with planes, tanks and heavy artillery, most of it coming in from surrounding European countries having been bought in what was East Germany.”<sup>103</sup> The Bosnian-Muslims (army of Bosnia-Herzegovina) were also receiving covert arms shipments. Noted Richard Holbrooke, in a 13 January 1993 memorandum to Warren Christopher and Tony Lake:

An important reason the Bosnian Muslims are surviving is that they are beginning to get significant weapons shipments from Islamic nations, apparently including Iran. These are coming through Croatia, with Croatian complicity. . . .Four key points about these no-so-secret shipments to the Muslims:

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<sup>102</sup>Roy Godson, *Dirty Tricks or Trump Cards* (Washington D.C.: Brassey's, 1995), 3.

<sup>103</sup>Owen, *Balkan Odyssey*, 74. Owen goes on to state that the Germans “turned more than a blind eye to arms sales to Croatia,” p. 203.

- first, the Croats, who do not want to let the Muslims become too strong, have not allowed them to include heavy weapons or artillery;
- second, every weapons shipments has a Coatian “weapons tax”; that is, the Croats siphon off some of the weapons for their own army and for the HVO [the Bosnian Croat Army] in Bosnia-Herzegovina;
- third, there is now strong evidence that small but growing numbers of “freedom fighters” or mujahideen are joining the Bosnian forces, although, as one might expect, the strict fundamentalists from the Mideast and the loose, secular Muslims of Bosnia do not understand each other or mix well;
- finally, these shipments will continue – and they will increase.<sup>104</sup>

Further, according to Strobe Talbott, Deputy Secretary of State, in his 23 May 1996 testimony before the Senate Select Committee on Intelligence, arms shipments to the Bosnian-Muslims from Iran had taken place since 1992.<sup>105</sup> Finally, former U.S. military personnel, employed by Military Professional Resources Inc. of Alexandria, Virginia with the blessing of the U.S. State Department, were hired to assist the Croatian Army.<sup>106</sup>

The purposes of these covert actions were to tilt the military balance against the Serbs in favor of the Croatians and Muslims. These efforts culminated in the Croatian offensive in August 1995, which retook the Krajina region from the Croatian Serbs,<sup>107</sup> and the Bosnian Federation (Bosnian Muslims and Bosnian Croats) offensive against the BSA in

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<sup>104</sup>Richard Holbrooke memorandum to Warren Christopher and Tony Lake, TLS, 13 January 1993, quoted in Richard Holbrooke, *To End a War* (New York: Random House, 1998), 50-51.

<sup>105</sup>Senate Select Committee on Intelligence, *Clinton Administration and Arms shipments from Iran to Bosnia*, 105th Cong., 1st sess., 23 May 1996.

<sup>106</sup>Louis Salome, “Ex-U.S. Military Officers Assist Croat Army [on line],” *Cox News Service*, n.d., accessed 27 April 1998; available from <http://www.milnet.com/milnet/croat.htm>; Internet.

<sup>107</sup>This was the first time in four years the Serbs had suffered a military setback.

September 1995, which retook territory lost earlier to the Bosnian Serbs. Richard Holbrooke, utilizing Federation successes on the battlefield, delayed obtaining a ceasefire in order to allow the Federation greater leverage at the Dayton Peace Talks.<sup>108</sup>

According to HSE, examples of quasi-military activity include the stationing naval vessels off shore and the massing of troops at the border. The conflict in Bosnia-Herzegovina experienced naval vessels off the FRY (S/M) coast and, while not the massing of troops at the border, the massing of air power overhead. The Western European Union established a naval presence in the Adriatic Sea in July 1992, monitoring compliance with UNSCRs 713 and 757. UNSCR 787 established the maritime interception operation, named Operation SHARP GUARD, in the Adriatic, as well as on the Danube River. The maritime forces that were involved in SHARP GUARD positioned its forces in the Straits of Otranto and off the coast of Montenegro (see Appendix A for a more detailed explanation of the maritime intereception operation). Operation DENY FLIGHT massed NATO airpower over Bosnia-Herzegovina in accordance with UNSCR 781 (October 1992).<sup>109</sup> This action also limited the combat capabilities of the BSA, as they were now unable to rely on tactical aviation to provide close air support or helicopters for troop transport. Finally, this massing of airpower overhead carried with it the inherent threat of airstrikes. Threats of airstrikes were often used by NATO and the United Nations to coerce the Bosnian Serbs into compliance

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<sup>108</sup>Holbrooke, *To End a War*, 148.

<sup>109</sup>UNSCR 781 establishes the “no-fly zone” over Bosnia-Herzegovina. This resolution prohibited all fixed and rotary wing aircraft of the warring factions from conducting operations. This resolution was directed at the Bosnian-Serbs, as they were the only warring faction to have a tactical, fixed-wing airforce.

with any number of demands. Sometimes, these threats were carried out, as mentioned in the next paragraph.

The third type of companion policy is regular military activity. There are three examples of regular military activity in the Bosnian conflict: NATO air strikes, the Croatian offensive, and the Federation offensive. NATO undertook ten airstrikes during the conflict phase in Bosnia, the first one on 28 February 1994 (NATO's first military strike in its 45 year history) and the last in September-October 1995 (NATO's largest military strike), all of which were against the Bosnian Serbs. While the Croatian and Muslims were not sender countries in the sanctions episode on the FRY (S/M), their ground campaigns were integral in obtaining leverage against the Bosnian Serbs that was utilized in the Dayton Peace Negotiations. Further, because of U.S. and European acquiescence, if not outright support, to the arms shipments to the Croats and Muslims, by extention then, the ground campaign against the Bosnian Serbs may be considered a companion policy of the sender countries.

NATO's last and largest airstrike occurred almost simultaneously with the Federation's final offensive, in fact Milosevic accused NATO of providing close air support to the Federation offensive.<sup>110</sup> Opponents of sanctions point to these military acts, and not sanctions, as the reason why the Dayton Peace Accord was signed.

While the NATO strikes and the Federation offensive dramatically changed the course of the war, sanctions still had a major role in forcing Milosevic to end his "Greater Serbia" policy. As mentioned earlier, Milosevic had signed the Vance-Owen Peace Plan in

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<sup>110</sup>Holbrooke, *To End a War*, 147.

return for the lifting of economic sanctions.<sup>111</sup> This occurred in April 1993, over two years prior to the largest NATO airstrike and the Federation offensive. In short, economic sanctions delivered Milosevic to the peace table, not airstrikes. The question, then, is whether economic sanctions would have brought the Bosnian Serbs to the negotiation table.

Owen believes that given more time and a consistent U.S. policy, they would have. UNSCR 820 was passed to tighten sanctions on the FRY (S/M). Transshipments through the FRY (S/M) were prohibited and monitors were placed on FRY (S/M) border crossings, however, Clinton vacillated over his Balkan Policy (specifically, over his promise to send U.S. ground troops to enforce the VOPP) and thus, undermined the VOPP and weakened the policy goal UNSCR 820 sought to achieve. This resulted in the abandonment of the VOPP and with it, two more years of fighting. In short, according to Owen, given more time and a consistent U.S. policy, UNSCR 820 might have forced the Bosnian Serbs to sign the VOPP.<sup>112</sup>

*b) Duration*

HSE state: "The life of a sanctions episode is not often defined with the precision of a college matriculation and graduation. In the early phases, the sender country [or countries] may take pains to conceal and even deny that it is imposing sanctions."<sup>113</sup> HSE identify the duration of successful cases to be 2.9 years and 8.0 years for failure cases.

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<sup>111</sup>Owen, *Balkan Odyssey*, 153.

<sup>112</sup>Owen, *Balkan Odyssey*, 160-197. Owen is very critical of Clinton's foreign policy in the Balkans. Chapter Four of his book offers an insightful commentary on the U.S. derailment of the VOPP.

<sup>113</sup>HSE, *Economic Sanctions Reconsidered*, 43.

For this paper, the start of the sanctions episode begins with the date the Security Council Resolution was passed and the end, the termination date as specified by the Security Council.

UNSCR 713, the arms embargo, was in effect from 25 September 1991 until 18 June 1996, approximately four years, nine months. UNSCR 757 began on 30 May 1992 and UNSCR 820 began on 17 April 1993. Both ended on 22 November 1995, by UNSCR 1022. Sanctions, however, remained in place on the Bosnian Serbs as a measure to ensure compliance with certain provisions of the Dayton Peace Accord. The duration of the sanctions were three and a half years for UNSCR 757 and two years and seven months for 820.<sup>114</sup>

c) *International Cooperation*

HSE index the extent of cooperation into four categories: no cooperation, minor cooperation, modest cooperation, and significant cooperation. No cooperation is typified when a single sender country imposes sanctions with no outside cooperation. Minor cooperation is defined when the sender country enlists verbal support and possibly token restraints from other countries. Modest cooperation exists when the sender country obtains meaningful restraints – but limited in time and coverage – from some but not all the important trading partners of the target country. Finally, significant cooperation exists when

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<sup>114</sup>United Nations, Security Council, *Report of the Copenhagen Round Table on United Nations Sanctions in the Case of the Former Yugoslavia*, 24 Septemer 1996.

the important trading partners make a major effort to limit trade, although leakages may still exist through neutral countries.<sup>115</sup>

“Significant cooperation” existed during the sanctions episode against the FRY (S/M). Not only did the FRY (S/M)’s former trading partners make a major effort to limit trade, but they also contributed assets to enforce the sanctions. Further, international agencies were involved and various sanctions commissions were set up to oversee the sanctions regime. The UN Security Council’s report on UN sanctions against the FRY (S/M) state, “This unprecedented formula of a coordinated, inter-institutional, international cooperative effort to assist States in their observance of mandatory economic sanctions imposed by the Security Council may have been a decisive factor in making these measures a valuable and effective policy instrument in the graduated response to threats to international peace and security in this case.”<sup>116</sup> Implementation by the states was supported by the OSCE, with active intergovernmental support from the European Union (EU), Western European Union (WEU), NATO, and the International Conference on the Former Yugoslavia (ICFY). The United States alone contributed 50 civilian monitors to the 220-

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<sup>115</sup>HSE, *Economic Sanctions Reconsidered*, 44.

<sup>116</sup>United Nations, *Copenhagen Round Table on UN Sanctions*, 3.

person international monitoring mission along the FRY (S/M) – Bosnia border, which was run by the ICFY.<sup>117</sup>

This international cooperation evolved from the recommendations made by several fact finding missions to the region. These missions, started in the summer of 1992, were conducted by customs officials from the United States and member countries of the European Community (precursor to the European Union). These missions “laid the foundations of international cooperation in support of the implementation of these sanctions.”<sup>118</sup> Implementation was carried out by the Sanctions Assistance Missions (SAMs), located in Bulgaria, Hungary, and Romania. The SAM Communications Center (SAMCOMM) was located in Brussels. The SAM teams consisted of customs officials from the EC states (later, the EU) and were provided with communications equipment to coordinate their efforts. Additional SAMs were eventually added in the Former Yugoslav Republic of Macedonia (FYROM), Albania, Croatia, and the Ukraine.<sup>119</sup>

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<sup>117</sup>U.S. Department of State, *Bosnia Fact Sheet: Economic Sanctions Against the FRY (S/M)* (13 November 1995) [on line], n.p., accessed 09 April 1998; available from [http://www.state.gov/www/regions/eur/bosnia/yugoslavia\\_econ\\_sanctions.html](http://www.state.gov/www/regions/eur/bosnia/yugoslavia_econ_sanctions.html); Internet. Louis Salome, “Ex-U.S. Military Officers Assist Croat Army,” Cox News Service, comments on the MPRI professionals assisting the Croatian Army. Salome states, “Since last fall [1994], MPRI has had a contract directly with the State Department to provide monitors who assist the Geneva-based [ICFY]. The monitors work along the Bosnia-Serbia border” to “watch for military trucks or equipment crossing into Bosnia from Serbia.”

<sup>118</sup>United Nations, *Copenhagen Round Table on UN Sanctions*, 7.

<sup>119</sup>John Strembleau, Carnegie Commission on Preventing Deadly Conflict, *Sharpening International Sanctions: Toward a Stronger Role for the United Nations* [on line], (New York: Carnegie Corporation, November 1996), accessed 20 April 1998; available from [http://www.ccpdc.org/pubs/summary/su96\\_ex.html](http://www.ccpdc.org/pubs/summary/su96_ex.html); Internet.

Enforcement and implementation was also undertaken along the Danube River by the WEU, and enforcement in the Adriatic Sea was conducted by WEU and NATO warships. These efforts were also coordinated with SAMCOMM in Brussels.

In summary, the EU and OSCE were responsible for monitoring land routes going into the FRY (S/M) from its respective neighbor states, the WEU controlled enforcement on the Danube River, WEU and NATO warships patrolled FRY (S/M)'s sea lines of communication in the Adriatic, and the ICFY Mission enforced sanctions along the FRY (S/M) – Bosnia-Herzegovina border (those areas under control of the Bosnian Serb forces). Although some leakages occurred, primarily prior to UNSCR 820, “significant cooperation” existed in the sanctions regime on the FRY (S/M).

*d) Presence of International Assistance*

Presence of international assistance to the target country is the mirror image of, or invertly related to, international cooperation with the sender country. Assistance to the target country usually comes from its neighbors and allies, either overtly or covertly. HSE state, “Target countries are seldom cut off from alternative markets or financing sources when sanctions are imposed; trade and financial channels usually remain open, even though at a higher cost. For this reason, we [HSE] do not count evasive and covert trade as ‘assistance.’”<sup>120</sup> As such, HSE’s study is only concerned with evidence of overt economic or military aid to the target country in response to the imposition of sanctions.

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<sup>120</sup>HSE, *Economic Sanctions Reconsidered*, 45.

In the FRY (S/M) case, there is no evidence to suggest that any of FRY (S/M)'s neighbors, allies, or former allies provided overt assistance during the sanctions episode. As mentioned in the preceding section on international cooperation, SAMs were allowed to operate in the FRY (S/M)'s neighboring states of Croatia, Bulgaria, Romania, Hungary, Ukraine, Albania, and the FRYOM, thereby eliminating overt support from neighboring countries. Additionally, Russia overtly complied with the sanctions regime as well. The former Yugoslavia was a traditional ally of the former Soviet Union based on communist ideology and historic Slavic-Serbian ties. During the crisis in the former Yugoslavia, however, these historical links may have been overstated. For example, Milosevic "criticized the Russians, saying that they presumed to a far greater influence in Serbia, based on historic Slav-Serb ties, than was justified. He [Milosevic] was scornful of Moscow's attempts to pressure or bribe the Serbs with aid - 'tons of rotten meat, and crap like that,' he [Milosevic] said."<sup>121</sup> To summarize, with its neighbors and traditional allies participating in the sanctions episode, international assistance to the FRY (S/M) was not present.

There was ample evidence of a black market trade with the FRY (S/M), however. Government Accounting Office report states that although the "Serbian economy is suffering a significant disruption," evidence indicates "significant violations of the

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<sup>121</sup>Holbrooke, *To End a War*, 114.

sanctions.”<sup>122</sup> From 15 October 1992 to 28 January 1993, SAM teams reported 772 suspected violations.<sup>123</sup> Whatever the number, the violators were primarily taking advantage of the loopholes found in the sanction regime at that time; specifically, the allowance of transshipments through the FRY (S/M) to the recipient country. In practice, however, these shipments offloaded their cargo in the FRY (S/M) and returned to their point of origin or continued on to their destination with their cargoholds empty. Forged customs documents were often used to evade customs officials and the SAM teams.

Despite the covert aid to the FRY (S/M), the emergent black market still could not provide the means necessary to effectively run its economy. As such, HSE discounts the role of covert aid and the blackmarket. Nonetheless, UNSCR 820 (April 1993) closed those loopholes found in the existing sanction regime, including the elimination of the transshipment allowance. Because target countries often find ways to circumvent a sanctions regime, the Carnegie Commission criticizes sanction regimes that are implemented slowly and incrementally. Rather, the sanction regime should be complete, comprehensive, and all-encompassing.<sup>124</sup>

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<sup>122</sup>Government Accounting Office, National Security and International Affairs Division, *Serbia-Montenegro: Implementation of U.N. Sanctions* (GAO/NSIAD-93-174), by Frank C. Conahan, Report to the Honorable Edward M. Kennedy, U.S. Senate (Washington, D.C., April 1993), 4-8.

<sup>123</sup>Ibid., 22. These numbers are suspected as being low due to the lack of consistant inspection criteria, reporting, and operating procedures among the SAM teams. Further, U.S. intelligence agencies did not provide their evidence on violations to this report.

<sup>124</sup>Strembleau, *Sharpening Sanctions*, 24.

e) ***Target Country's Political and Economic Health***

The economic and political health of the target country are critical to the outcome of a sanctions episode. A weakened or distressed target is more susceptible to economic sanctions than a stable target. HSE state, "Similarly, sanctions may be redundant, productive, or useless in pursuing foreign policy goals, depending on the economic health and political stability of the target country."<sup>125</sup> HSE identify three categories describing the target's political and economic health: "distress, significant problems, and strong and stable."<sup>126</sup> HSE's description of each are as follows:

- (1) Distress: a country with acute economic problems, exemplified by high unemployment and rampant inflation, coupled with political turmoil bordering on chaos.
- (2) Significant problems: a country with severe economic problems, such as a foreign-exchange crisis, coupled with substantial internal dissent.
- (3) Strong and stable: a country with the government in firm control (even though dissent may be present) and an economy experiencing only the normal range of inflation, unemployment and similar ills.<sup>127</sup>

The former Yugoslavia degraded from a country with significant problems to one of distress, once the forces of secession were in motion. However, as the FRY (S/M) is the target country in this sanctions episode, this analysis will concentrate on the conditions in that country. Unfortunately, comprehensive economic data is not available for years 1992 and 1993 on the countries formed after the former Yugoslavia's dissolution in 1991.

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<sup>125</sup>HSE, *Economic Sanctions Reconsidered*, 46

<sup>126</sup>Ibid.

<sup>127</sup>Ibid.

Therefore, the analysis of the economic and political health of the FRY (S/M) will utilize data for the former Yugoslavia on the eve of the breakup and extract information on Serbia and Montenegro.

As mentioned in Chapter II, the former Yugoslavia's economic system was prone to unemployment, high inflation, and decreasing productivity. As one scholar noted, on the eve of the breakup, "Yugoslavia was in an unprecedented economic and socio-political crisis. Nationwide, in 1989, the unemployment rate measured approximately 20 percent, some 60 percent of the population were living at or below the poverty line, and inflation had climbed to a yearly 2,500 percent."<sup>128</sup> The dissolution of the former Yugoslavia exacerbated these problems.

One of Tito's methods to create a unified country was to place the various modes of industrial production in the various republics, thereby creating inter-republic economic ties and trade. For example, the M-84A tank (based on the former Soviet T-72) was made in every republic of the former federation: 36 percent in Bosnia-Herzegovina, 30 percent in Serbia, 26 percent in Croatia, 7 percent in Slovenia, and 1 percent in Montenegro.<sup>129</sup> With the breakup of the former Yugoslavia and the subsequent wars of secession, these critical inter-republic economic linkages collapsed, resulting in a drop in production and unemployment. In an address in Vienna in April 1993, Slovenian economist

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<sup>128</sup>Plestina, "Democracy and Nationalism in Croatia," in *Beyond Yugoslavia*, ed. Ramet and Adamovich, 125.

<sup>129</sup>Miodrag Ivanovic, "The Fate of the Yugoslav Military Industry," *Jane's Intelligence Review* 5, no. 3 (March 1993): 164.

Jose Mencinger warned “that the combination of the breakup of the unified Yugoslav market and of the war itself had so thoroughly undermined the economic structure of the former Yugoslav republics that they now stood on the brink of economic disaster.”<sup>130</sup> Specifically, according to Mencinger’s 1992 figures for Serbia, economic production was 55 percent of the 1989 figure; the value of exports declined 50 percent; and inflation was at 19,810 percent.<sup>131</sup> Unemployment had reached 3 million people by November 1992 (out of a total population of 10.5 million) and the number was rising.<sup>132</sup>

There were significant problems in the internal political arena as well. The Yugoslav Federation had been showing signs of strain since Tito’s death in 1980. The rise of nationalism in the Croat, Slovene, and Serb republics eroded the Titoist view of a federated state. In Serbia, Slobodan Milosevic was elected President of that republic in March 1989. Milosevic launched a campaign for a strengthened federal center, located in Belgrade and dominated by the Serbs. Unsurprisingly, this campaign was strongly opposed by the republics of Slovenia and Croatia. Fear of Serbian nationalism and domination by a Serbian-controlled, federated state precipitated calls for independence in Slovenia and Croatia. In December 1990, Slovenia held a referendum for an “independent and sovereign Slovenia,” where 89 percent voted “yes.”<sup>133</sup>

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<sup>130</sup>Ramet, “The Yugoslav Crisis and the West,” in *Beyond Yugoslavia*, ed. Ramet and Adamovich, 456.

<sup>131</sup>Ibid.

<sup>132</sup>Ibid., 7.

<sup>133</sup>Dennison Rusinow, “The Avoidable Catastrophe,” in *Beyond Yugoslavia*, ed. Ramet and Adamovich, 27.

In response, on 15 March 1991, Serbia's member of the presidency, Borislav Jovic, called for the JNA to quell any internal dissent. The eight-member collective Presidency of Yugoslavia voted down this request. Milosevic created a constitutional crisis when he declared that Serbia would not recognize any decisions from the collective federal Presidency and the JNA would be used to maintain the federation. Milosevic's goal was to maintain the Federal Republic of Yugoslavia by creating a strong central government under Serbian control. As the calls for secession in the republics intensified, Milosevic abandoned this goal and took up the new charge of a "Greater Serbia," and by June 1991, war broke out in the Slovene and Croat republics.

Concurrently, Milosevic's opposition organized violent, anti-communist demonstrations in Belgrade in March 1991.<sup>134</sup> During these disturbances, the Serbian police killed two protestors and the JNA was deployed to the streets of Belgrade. The JNA planned to impose a general state of emergency throughout the country, but this was rejected by the collective Presidency. In response, the JNA high command began planning for a coup to oust the collective Presidency and its supporters, which, by extension, would include Milosevic.<sup>135</sup> Fearing foreign repercussions, however, the JNA abandoned this idea.

Milosevic's main political support comes from an older generation of Serbs living in the rural areas of Serbia. His opponents are primarily the younger generation of Serbs living in urban areas, as typified in the anti-Milosevic demonstrations of March 1991,

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<sup>134</sup>Marko Milivojevic, "The Armed Forces of Yugoslavia: Sliding into War," in *Beyond Yugoslavia*, ed. Ramet and Adamovich, 74.

<sup>135</sup>Ibid., 75.

March 1992, and June 1992.<sup>136</sup> In addition, these protests had a more visible representation from women. Despite Milosevic's call to Serbian nationalism, there was significant opposition to his communist links, as well as resistance to his support for the war.

In summary, the evidence indicates that FRY (S/M)'s economy experienced "significant problems," which bordered on "distress," in the prelude to the sanctions regime. Further, its internal political system, while not degenerating into chaos, experienced substantial internal dissent.

**f) *Prior Relations between the Target and Sender Countries***

Sanctions are imposed on friends and adversaries alike. Depending on the nature of the prior relationship, sanctions may be forceful in nature against adversaries or mild and suggestive against friends. HSE classified the state of relations between the sender and target countries prior to the implementation of sanctions in three categories: antagonistic (Arab-Israeli relations), neutral (illustrated by relations between Spain and the United Kingdom despite centuries of dispute over Gibraltar), and cordial (U.S. relations with the United Kingdom and France before the Suez crisis of 1956).<sup>137</sup> HSE's findings indicate that sanctions are most effective when aimed against erstwhile friends and close trading partners.

During the Cold War years, the former Yugoslavia had a triangular relationship with the United States and the former Soviet Union. This relationship with the

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<sup>136</sup>Ramet, "The Serbian Church and the Serbian Nation," in *Beyond Yugoslavia*, ed. Ramet and Adamovich, 106.

<sup>137</sup>HSE, *Economic Sanctions Reconsidered*, 47.

superpowers were inversely related; when Yugoslav-Soviet relations were good, then Yugoslav-U.S. relations were bad, and vice versa. Three periods defined the former Yugoslavia's relationship with the superpowers: 1943 – 1948, 1948 – 1955, and 1955 – 1990.<sup>138</sup>

In the first phase, Yugoslav-Soviet relations were good as Stalin tried to align the former Yugoslavia within the Warsaw Pact framework. Initially, the United States also had good relations with former Yugoslavia. Building on common anti-fascist efforts in World War II, the United States supported a Tito-ruled Yugoslavia for the post-World War II era. By 1946, however, U.S. support for Tito had faded. The United States resented the former Yugoslavia's territorial claims and interference in the area, specifically in Italy and Greece. Additionally, in 1946, the Yugoslavs shot down two U.S. Air Force planes when they strayed into Yugoslav airspace.<sup>139</sup>

The second phase began in 1955 when the Soviet Union expelled Yugoslavia from the COMINFORM and implemented a blockade. This action forced Yugoslavia to turn to the West. The United States and Western European countries responded with a \$15 billion (1992 U.S. Dollars) aid package.<sup>140</sup> Additionally, the United States provided military equipment and training to the JNA. Further, the Balkan Pact signed between Yugoslavia, Greece, and Turkey was a collective defense treaty, which effectively brought Yugoslavia

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<sup>138</sup>Branko Pribicevic, "Relations with the Superpowers," in *Beyond Yugoslavia*, ed. Ramet and Adamovich, 336.

<sup>139</sup>Ibid.

<sup>140</sup>Ibid., 338.

into NATO as a quasi-member (since Greece and Turkey were NATO members). This strong alignment to the west changed after Stalin's death and Soviet Premier Khrushchev's subsequent visit to Belgrade in 1955.

The Soviet Union's rapprochement with Tito did not drive Yugoslavia back into the Soviet-Warsaw pact alliance, however. Rather, Yugoslavia's policy was to remain equidistant from the super powers, which resulted in Yugoslavia becoming a leader in the non-aligned movement. Non-alignment remained the cornerstone for Yugoslavia's foreign policy until 1990. Despite the Soviet rapprochement during this period (1955-1990), U.S.-Yugoslav relations were more sound than was the case with Soviet-Yugoslav relations.<sup>141</sup>

Throughout the 1980s, Yugoslavia's international prestige and position waned as East-West tensions decreased. As the Cold War drew down, Yugoslavia's position was no longer important to the United States, and thus, U.S. involvement in the region diminished. As a result, western European states increased their influence and involvement in Yugoslavia.<sup>142</sup>

The political relationship between the former Yugoslavia and western European states was shaped by commercial and financial incentives. Western Europe supported Yugoslav efforts to gain membership in the Council of Europe, the European Free Trade Agreement, the Organization for Economic Cooperation and Development, and

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<sup>141</sup>Ibid., 340.

<sup>142</sup>The Soviet Union's, and later Russia's, involvement also diminished. By the late 1980's, the USSR endorsed various western European initiatives in the region. In fact, Russia, following the lead of western European states, recognized Croatia and Slovenia prior to U.S. recognition. "This was a great blow for Serbia, where it was received as a 'betrayal' of a centuries-long friendship." Ibid., 343-344.

eventually, the European Union. Yugoslavia realized that a delay would result in much-needed capital flows being diverted to other East European states. Yugoslavia's acceptance, however, was tied to democratic reforms, multi-party elections, an independent judiciary, and human rights.<sup>143</sup> The European states' reform policies toward the former Yugoslavia ran into the same problem that faced the United States, that being the antithetical goals of unity and democracy. As the nationalists swept into power in Slovenia, Serbia, and Croatia, "unity was sacrificed on the altar of Slovenian or Croatian democratic self-determination," thus resulting in war at the expense of democratic reforms and human rights.

In summary, because of the fluctuations in its relationships with other countries, the former Yugoslavia's overall relationship with the sender countries is classified as neutral. As the FRY (S/M) attempted to achieve its goal of a 'Greater Serbia' through the use of force and utilizing the tactic of ethnic cleansing, this neutral relationship rapidly turned into one of antagonism.

## 2. Economic Variables

### a) *Cost Imposed on the Target Country*

Cases that inflict heavy costs are usually successful. As shown in table 4-1, the average cost to the target for all successful cases was 2.4 percent of the target country's Gross National Product (GNP); for failure cases, GNP loss was only 1.0 percent. For cases where the sender's policy goal was to seek a major change in the target's behavior, the cost to

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<sup>143</sup>Zachary T. Irwin, "Yugoslavia's Relations with European States," in *Beyond Yugoslavia*, ed. Ramet and Adamovich, 364.

the target for all success cases was 4.5 percent of GNP; for failure cases, GNP loss was a mere 0.5 percent.<sup>144</sup> Overall, in order for sanctions to be successful, they must impose a decrease 2.4 percent in the target country's GNP. In the case of the FRY (S/M), however, where a major policy change was sought by the sender countries, the cost to the FRY (S/M) economy should be 4.5 percent or higher.

Table 4-1. Cost of sanctions to the target country, by percentage of GNP

Policy Goal	Success Cases	Failure Cases
Modest Policy Goals	1.2	0.4
Destabilization	4.1	2.2
Disruption of military adventures	0.4	2.0
Military impairment	4.3	1.2
Other major policy changes	4.5	0.5
All cases	2.4	1.0

*Source:* HSE, *Economic Sanctions Reconsidered*, 102.

This section will provide evidence of how the sanctions episode impaired the FRY (S/M) economy. Specifically, the evidence will show that the sanctions episode degraded FRY (S/M)'s Gross Domestic Product (GDP) as well as its foreign trade. Further, sanctions caused a high rate of unemployment. At this point, it is important to note the difference between GNP and GDP. Both are utilized to measure a country's national income accounts, or wealth. HSE use GNP in their studies, however, as mentioned earlier, limited data exists on the specific republics of the former Yugoslavia. Further, GNP information on the FRY (S/M) during 1991 through 1993 is scarce due to the breakup and subsequent wars.

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<sup>144</sup>HSE, *Economic Sanctions Reconsidered*, 101.

However, GDP data is available on the former Yugoslav republic of Serbia and the FRY (S/M). Before presenting that data, a brief summary on the differences between GNP and GDP is necessary.

GNP is closely related to GDP. Where they differ is, in effect, where national boundaries are drawn. A country's GNP includes all outputs produced by that country's owned inputs, no matter where they are located in the world. For example, a Ford Motor Company plant in Canada contributes to U.S. GNP, however, that same Ford plant would not contribute to Canada's GNP. GDP, on the other hand, counts all output produced in a country, regardless of who owns the input. In other words, output from foreign owned inputs count towards GDP. Using the above example, Canada's GDP would include the Ford Motor Company's factory output, but Canada's GNP would not. Similarly, Japanese-owned auto plants located in the United States contribute to U.S. GDP, but not to its GNP.<sup>145</sup>

In the case of FRY (S/M), GDP and GNP are similar. The factories and industries of the former Yugoslavia, as well as the FRY (S/M), are state-owned. Foreign owned inputs were virtually non-existent in the former Yugoslavia and the former Yugoslav factories and industries were domestically located. Therefore, the GDP figures used in the following paragraph suffice for HSE's use of GNP.

In 1990, the former Yugoslav republic of Serbia had a GDP of \$24 billion. The per capita income was over \$3,000. By 1993, however, FRY (S/M)'s GDP had dropped

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<sup>145</sup> Alan J. Auerbach and Laurence J. Kotlikoff, *Macro Economics: An Integrated Approach* (Cincinnati: South-Western College Publishing, 1995).

to under \$10 billion and per capita income was \$700.<sup>146</sup> This represents a decline in GDP, or cost to the target country, of 58.3 percent from 1990 to 1993.

A look at the FRY (S/M)'s trade statistics provides some insight into the dramatic drop in the country's GDP. The following figures come from the International Monetary Fund's *Direction of Trade Statistics Yearbook*. Figure 4-2 provides the final year of trade statistics for the former Yugoslavia.

Table 4-2. Trade Statistics for the former Yugoslavia,  
for 1991, in millions of U.S. Dollars

	Exports	Imports
<u>Yugoslavia</u>	13,953	14,737

*Source: International Monetary Fund, Direction of Trade Statistics, 1996.*

There are no trade statistics available for 1992 for the five countries that emerged from the former Yugoslavia. The first year trade information is available on these countries is 1993. Figure 4-3 shows the trade figures for FRY (S/M), Croatia, Slovenia, Bosnia-Herzegovina, and Macedonia for the years 1993 through 1995. While trade actually increased for the FRY (S/M) from 1993 to 1995, the increases can be attributed to the UNSC's partial easing of trade restrictions on FRY (S/M) in response to that countries compliance with various peace initiatives, allowable delivery of humanitarian aid, and FRY (S/M)'s use of loopholes found in the sanctions regime (prior to UNSCR 820). The imports that were allowed to be

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<sup>146</sup>Richard Becker, "The Role of Sanctions in the Destruction of Yugoslavia," in *NATO in the Balkans*, ed. Ramsey Clark (New York: International Action Center, 1998), 72.

delivered, primarily humanitarian goods, totally depleted domestic cash reserves.<sup>147</sup> Despite the small increases in exports and imports, overall, sanctions devastated FRY (S/M). Prior to the breakup, most of the industrial and manufacturing centers were located in the Serbian areas of the former Yugoslavia. When comparing the FRY (S/M) trade levels to the trade levels of primarily agrarian Macedonia or war-torn Bosnia, one can see the effects of the sanctions.

Table 4-3. Trade Statistics, in millions of U.S. Dollars

	Exports			Imports		
	1993	1994	1995	1993	1994	1995
FRY (S/M)	4	46	39	88	185	249
Croatia	3,913	4,259	4,372	4,724	5,220	7,105
Slovenia	6,083	6,828	8,286	6,529	7,304	9,452
B-H	85	46	52	424	644	912
Macedonia	690	869	1,038	950	1,352	1,654

*Source:* International Monetary Fund, *Direction of Trade Statistics*, 1996.

Milan Panic, Chairman of ICN Pharmaceuticals (FRY (S/M) company) and former Prime Minister of the FRY (S/M) (1992), made the following comment about the lifting of sanctions:

The lifting of sanctions is a momentous event, for seldom in our history have we seen such severe economic hardship in place. . . . What will the lifting of sanctions mean to the economy of Yugoslavia [FRY (S/M)]? First, it will begin to restore economic normalcy, replacing inflation, unemployment, and economic and political instability with stable prices and a stronger currency. It will attract foreign investment, providing cash-starved Yugoslav [FRY (S/M)] companies with the funds needed to get moving again.<sup>148</sup>

<sup>147</sup>Nikola Cicanovic, "International Sanctions - Rationale and Impact [on line]," *Serbia Bulletin* (November 1996, accessed 21 April 1998); available from <http://www.yugoslavia.com/Bulletin/96/9611/961102.htm>; Internet.

<sup>148</sup>Milan Panic, Statement on Impact of Lifting UN Economic Sanctions Made in Costa Mesa, CA on 05 December 1997 [on line], accessed 21 April 1998, available from [http://www.twoten.press.net/stories/95/12/05/headlines/ECONOMY\\_Yugoslavia.Panic.html](http://www.twoten.press.net/stories/95/12/05/headlines/ECONOMY_Yugoslavia.Panic.html); Internet.

Panic's statement sheds some light on the economic problems caused by the sanctions.

Extensive evidence exists that clarifies Panic's comments.

According to FRY (S/M) Vice-Premier Dragan Tomic, the cumulative losses caused by the sanctions amounted to between \$100 billion and \$150 billion.<sup>149</sup> Along with destroying FRY (S/M)'s industrial export markets, the sanctions caused a severe shortages of imported spare parts and raw materials. In 1993 alone, FRY (S/M)'s industrial output fell by 40 percent and retail sales dropped 70 percent from 1992 figures. Because of the drop in sales, approximately 60 percent of the industrial labor force was laid off.<sup>150</sup> Inflation that became hyperinflation undermined the integrity of FRY (S/M)'s currency and eliminated the value of savings. Inflation was 122 percent in 1991; 9,000 percent in 1992; and was more than 100 trillion percent in 1993.<sup>151</sup>

There is ample evidence on the dismal state of economic affairs in the FRY (S/M). What is unknown and difficult to determine is what portion of this decline may be attributable to sanctions and what portion to the dissolution of the former Yugoslavia. As mentioned earlier, the industrial base and economy relied on inter-republic trade. The dissolution of the country into five new states, coupled with the wars of secession, certainly had a

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<sup>149</sup>"Analysis: Moves to Lift Sanctions are Reward for Serbian Leader [on line]," *Reuters Information Service*, 21 November 1995 (accessed 19 April 1998); available from <http://www2.nando.net/newsroom/ntn/world/112195/world190t.side3.html>; Internet.

<sup>150</sup>American University, *Serbia Sanctions and the Environment* [on line] (Washington D.C.: American University, July 1995, accessed 28 April 1998; available from <http://gurukul.ucc.american.edu/TED/SERBSANC.htm>; Internet.

<sup>151</sup>Department of State, Inter-Agency Task Force on Serbian Sanctions, *UN Sanctions Against Belgrade: Lessons Learned for Future Regimes* (Washington, D.C., June 1996), 3.

negative effect on the country. Sanctions, at the very least, made a bad situation worse by preventing the restructuring of the FRY (S/M)'s newly formed economy.

**b) *Commercial Relations between the Target and Sender Countries***

Economic sanctions are most effective when aimed against close trading partners. In the cases seeking major policy changes, HSE have identified that if the average trade linkage between the target and sender is at least 36 percent, then the sanctions episode will be successful.<sup>152</sup> To identify the FRY (S/M)'s major trading partners, the IMF's *Direction of Trade Statistics* will be used again. Once again, problems arise in finding exact data due to the dissolution of the former Yugoslavia. FRY (S/M)'s trade statistics and data on their major trading partners do not exist for 1992. Data is available starting in 1993, however, the trade entering and leaving the FRY (S/M) was authorized by the sanction sending countries. This data is, therefore, skewed.<sup>153</sup> Trade information from 1991, the last year of relative normalcy for the former Yugoslavia, will be used to identify the major trading partners. To summarize, the former Yugoslavia's total trade for 1991 consisted of \$13.953 billion in exports and \$14.737 billion of imports. Table 4-4 shows the major trading partners for the former Yugoslavia for 1991. Data is presented in percentage of total trade.

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<sup>152</sup>HSE, *Economic Sanctions Reconsidered*, 99.

<sup>153</sup>For exports, 91.9 percent went to developing countries, which include all NATO countries, Austria, Switzerland, Sweden, Japan, New Zealand, and Australia. For imports, 91.9 percent came from the industrial countries.

**Table 4-4. Percent Distribution of former Yugoslavia's Trading Partners for 1991**

	Exports N=\$13.953 billion	Imports N=\$14.737 billion
Industrial Countries	68.5	67.4
NATO	61.7	56.7
Developing Countries	31.5	32.6
European	21.6	22.3

*Source:* International Monetary Fund, *Direction of Trade Statistics*, 1996.

A majority of the former Yugoslavia's trade took place with NATO countries. This specific category is highlighted as NATO had, and continues to have, a vested interest in the region; with the assumption being that because of that vested interest, NATO countries would adhere to, as well as enforce, the UNSCR sanctions. Other categories could have been highlighted as well, such as the European Union and the United States, with similar results. Again, these figures far exceed HSE's finding that in successful sanctions episodes the trade linkage between the target and sender is at least 36 percent.

*c) Relative Economic Size of the Countries*

The economy of the sender country is usually much larger than that of the target country. HSE state, "In most cases, the sender's GNP is over 10 times greater than the target's GNP, and in over half the ratio is greater than 50."<sup>154</sup> One exception to this is when the target country controls a strategic commodity, such as oil. An example of this exception is the 1973 Arab Oil embargo on the United States and the Netherlands. Because the sender's economies are almost always much larger than the target's, relative size is not as important in predicting the success of a sanctions episode. As described by HSE, "The

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<sup>154</sup>HSE, *Economic Sanctions Reconsidered*, 63.

relative size of the target economy is less important than other factors that come into play, such as the extent of trade linkage, the economic impact of the sanctions, and the warmth of relations between sender and target prior to the imposition of sanctions.”<sup>155</sup>

Due to the large number of sender countries in this case, a comparative economic analysis of the former Yugoslavia’s two largest trading partners, Italy and Germany, will be used to provide an indication of the relative economic size between the target and sender countries.<sup>156</sup> Table 4-5 shows 1991 GDP figures for Italy, Germany, and the FRY (S/M). Germany’s economy is 57.7 times larger than the FRY (S/M) economy, the French economy is 41.2 times larger, and cumulatively, these two sender countries’ economies are 98.7% larger than the FRY (S/M) economy.<sup>157</sup>

**Table 4-5. 1991 GDP, by country, billions of \$US**

Country	GDP
Germany	1,363.4
Italy	976.2
FRY (S/M)	23.7

*Source: UN, 1998 UN Statistical Yearbook*

**d) Type of Sanctions Used**

The sanctions regime on the FRY (S/M) utilized trade and financial sanctions. Restrictions on imports to and exports from the FRY (S/M) were instituted by UNSCRs 757

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<sup>155</sup>Ibid., 99.

<sup>156</sup>International Monetary Fund, *Direction of Trade Statistics*, 1996. In 1991, the Former Yugoslavia exported \$4.636 billion (33.2% of total exports) worth of goods to Germany and \$2.545 billion (18.2%) to Italy; imports from Germany totalled \$4.371 billion (29.7% of total imports) worth of goods and \$2.296 billion (15.8%) from Italy.

<sup>157</sup>Sender country's GDP divided by target country's GDP equals target country's economic relative size.

and 820. Additionally, financial sanctions were also a part of these resolutions. This so called “outer wall” of sanctions precluded the FRY (S/M) from receiving financing from international financial institutions and governments. With financial sanctions in place, the FRY (S/M) is unable to receive financing from institutions such as the World Bank, the International Monetary Fund (IMF), and the European Bank for Reconstruction and Development (EBRD). Assets of the former Yugoslavia were also frozen worldwide.<sup>158</sup> While the trade sanctions have been lifted on the FRY (S/M) as a reward for its signing of the Dayton Peace Accord, the “outer wall” was kept in place.

The United States and the international community do not recognize FRY (S/M) as the successor state to the former Yugoslavia. Further, the FRY (S/M) is still not permitted to participate in the UN or the OCSE and its membership in the World Bank, IMF, and EBRD has been blocked. The international community has kept the “outer wall” in place in order to maintain leverage on the FRY (S/M) to ensure their compliance and support of the Dayton Peace Accords. Further, this leverage has been used recently over human rights abuses in Kosovo.<sup>159</sup>

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<sup>158</sup>Department of Treasury, Office of Foreign Assets Control, “What You Need to Know About the Embargo [on line],” *A Summary of the Federal Republic of Yugoslavia Sanctions Regulations - Title 31 Part 385 of the U.S. Code of Federal Regulation* (Washington, D.C., 20 May 1997, accessed 09 April 1998); available at <http://www.itaiep.doc.gov/eebic/balkan/sanctions/yugo.htm>; Internet. The freezing of assets includes all property and property interests, including inventory, contracts, accounts payable and receivable, deposit accounts, and funds transfers.

<sup>159</sup>Department of State, Bureau of Democracy, Human Rights, and Labor, *Serbia-Montenegro Country Report on Human Rights Practices for 1996* [on line] (Washington, D.C., 30 January 1997, accessed 09 April 1998); available at [http://www.state.gov/www/global/human\\_rights/1996\\_hrp\\_report\\_serbiamo.html](http://www.state.gov/www/global/human_rights/1996_hrp_report_serbiamo.html); Internet.

The presence of financial sanctions in a sanctions episode strengthens trade sanctions. HSE state, “The economic costs of sanctions as a percentage of target-country GNP were nearly twice as high when finance was interrupted as when trade alone was interrupted.”<sup>160</sup> In HSE’s case studies, the presence of financial sanctions increased the chance of success. This fact, coupled with the humanitarian consequences of trade sanctions, have led economists and foreign policy experts to address whether or not financial sanctions alone would be enough to achieve foreign policy goals. Their argument is that financial sanctions could be directly targeted on the target country’s power-elite, by passing innocent civilians.<sup>161</sup> This thesis, however, utilizes HSE’s definition of economic sanctions, which includes both trade and financial sanctions. Whether or not financial sanctions alone were the determining factor in the FRY (S/M) case, or in others, is a topic for further research.

e) *Cost to the Sender Country*

The more the sanctions episode costs the sender country, the less likely it is that sanctions will succeed. HSE look at the sender country’s loss of exports to the target country during the sanctions episode and then identify four classifications in their cost-to-sender index: 1) net gain to the sender (usually cases where aid has been withheld); 2) little effect on the sender (insignificant losses occur); 3) modest loss to the sender (some trade is lost, but not a substantial amount); and 4) major loss to the sender (large volumes of trade are

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<sup>160</sup>HSE, *Economic Sanctions Reconsidered*, 71.

<sup>161</sup>George A. Lopez and David Cortright, “Financial Sanctions: The Key to a ‘Smart’ Sanctions Strategy” [on-line] (The Fourth Freedom Forum: Fall 1997, accessed 11 September 1998); available from <http://www.fourthfreedom.org/sanctions/financialSanctionsSmartSanctions.html>; Internet.

adversely affected).<sup>162</sup> In the cases where major policy changes in the target country were sought, HSE identify an index score of 2.0 for successful cases and 2.3 for failure cases.<sup>163</sup> Their results suggest that “sender governments should design sanctions so as not to inflict unduly concentrated costs on particular domestic groups.”<sup>164</sup>

Table 4-6 presents selected sender countries’ loss in exports due to sanctions on the FRY (S/M). The selected countries were chosen as they bordered the former Yugoslavia or were identified as their main trading partners; the United States was chosen to provide a comparison.

**Table 4-6. Loss to selected sender countries. Exports for 1991, in \$US millions**

	Total Exports	Exports to the Former Yugoslavia	Percent of Total Exports
Albania	n/a	n/a	n/a
Austria	41,111	822	1.9
Bulgaria	2,100	195	9.2
France	217,100	371	0.1
Germany	402,843	4,186	1.0
Greece	8,666	161	1.9
Hungary	10,183	374	3.8
Italy	170,486	2137	1.3
Russia <sup>a</sup>	39,742	1032	2.6
United Kingdom	184,964	345	0.2
United States	421,730	371	0.08

*Source:* International Monetary Fund, *Direction of Trade Statistics*, 1996.

<sup>a</sup> Russian figures are for 1992. 1991 data does not exist.

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<sup>162</sup>HSE, *Economic Sanctions Reconsidered*, 48.

<sup>163</sup>Ibid., 103.

<sup>164</sup>Ibid.

Germany experienced the greatest absolute cost due to the sanctions, losing \$4.186 billion in exports, however the relative loss was only 1.0 percent of their total exports. Bulgaria experienced the largest relative cost of 9.2 percent of its total exports, or \$195 million, due to the sanctions.

Overall, the sanctions episode on the FRY (S/M) had little effect on the sender countries. Bulgaria's loss may be classified as a "modest loss." Again, losses due to sanctions are difficult to determine considering the economic disruption that was caused by the breakup of the former Yugoslavia. As mentioned earlier, the former Yugoslav industrial modes of production were distributed among the republics. When the country broke apart, so did its industrial base, thereby disrupting the economy. Whether or not Bulgaria's modest loss was attributable to sanctions or the breakup of the former Yugoslavia is difficult to distinguish.

### C. SANCTIONS AS A LEVERAGE – DIPLOMATIC EFFORTS

The diplomatic records of David Owen and Richard Holbrook offer a unique perspective on the use of sanctions as leverage on Milosevic's FRY (S/M). While some of their writings were presented in the previous section, this section looks at how these diplomats utilized sanctions in their peacemaking efforts. David Owen, in his book, *Balkan Odyssey*, describes his efforts as the EU representative to the Bosnia-Herzegovina peace talks. Owen, along with former U.S. Secretary of State Cyrus Vance, authored the Vance-Owen Peace Plan (VOPP), which was presented to, and subsequently rejected by, the warring factions in 1993. Richard Holbrooke, in this book, *To End a War*, describes the U.S.

diplomatic efforts in the peace making endeavor. Holbrooke negotiated the Dayton Peace Accord which effectively ended the war in Bosnia-Herzegovina in December 1995. Both offer insights as to the effectiveness of economic sanctions in coercing Milosevic to end the war in Bosnia-Herzegovina.

### **1. Vance Owen Peace Plan**

The origins of the VOPP began on 03 January 1993 at a plenary session of the Bosnian parties, convened by the ICFY. The three main points of contention that came from this session were: 1) constitutional principles in the Bosnia-Herzegovina's constitution, 2) the cessation of hostilities, and 3) allocating territory to the three warring factions.<sup>165</sup> While the Bosnian Croats were noncommittal to these three points, the Bosnian Muslims agreed on points one and two while rejecting the third, and the Bosnian Serbs rejected all three. Almost immediately, Owen and Vance recognized the need to split the Serbs. According to Owen, "Splitting the Serbs was something we had to achieve, not for its own sake but because otherwise the Bosnian Serbs would remain totally intransigent, and that became the pattern for the future. Without pressure from [FRY S/M], the Bosnian Serbs would not give an inch, for they were not pragmatists, like Milosevic, but ideologues, Serb nationalists who did not want a single Muslim to live on the territory they claimed for themselves, and preferable no Croats either."<sup>166</sup> At the third meeting of the plenary session, Bosnian-Serb leader Radovan

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<sup>165</sup>Owen, *Balkan Odyssey*, 102.

<sup>166</sup>Ibid., 102. Owen goes on to state that many Muslims live in Serbia, for example, the Sandzak region and in the urban areas, such as Belgrade.

Karadzic made key concessions, primarily over land; Vance and Owen believed that Karadzic had been instructed by Milosevic to make those concessions.

In order to pressure the Bosnian Serb ideologues, Milosevic was summoned to visit Paris to meet with French President Mitterand, Vance, and Owen. Owen describes the meeting as such:

Vance and I felt after the afternoon session that if Milosevic was going to risk his neck over Bosnia-Herzegovina, he would want something significant for it. That view was reinforced by Milosevic's parting comment of the afternoon to me after Mitterand's powerful peroration: 'Why did he not raise the lifting of sanctions?' Ever the pragmatist, the emotion had not seemingly moved him at all. What he wanted was a bargain and to be treated equally. Sanctions were to him a slight on the Serbian nation as well as an economic millstone. He was ready to deal over economic sanctions then, and he showed even greater readiness a month later in Belgrade.<sup>167</sup>

Negotiations over the VOPP dragged on through March 1993. By 25 March 1993, the VOPP had signatories from all sides in the conflict, with the exception of the Bosnian Serbs. Owen comments on obtaining that hold-out signature: "I knew that only Milosevic could deliver the Bosnian Serbs and that he was vulnerable in one area: financial sanctions. The Security council had to squeeze assets. . . We had to tighten every area of sanctions, for there was much economic intelligence showing that Milosevic was becoming really worried about the Serbian economy."<sup>168</sup> As a result of the Bosnian Serb failure to sign the VOPP, UNSCR 820 was passed on 17 April 1993. One week later, Milosevic formally gave up the idea of a Greater Serbia (as mentioned in the previous chapter). The VOPP was declared 'dead' in May 1993.

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<sup>167</sup>Ibid., 133.

<sup>168</sup>Ibid., 142.

Upon the failure of the VOPP, the war in Bosnia-Herzegovina continued for two and a half years. Other peace plans followed the VOPP - the Invincible package (coined from the meeting on the HMS Invincible), the EU Action Plan, the Contact Group plan, and finally, the Dayton Accord. Throughout these various negotiations, sanctions continued to take their toll in the FRY (S/M) economy and were used as leverage in their respective negotiations. By July 1994, evidence suggests that sanctions had once again split Belgrade from Pale (the Bosnian Serb's self-proclaimed capital). The 31 July 1994 edition of *Politika*, the main pro-government daily in Belgrade, carried on its front page a statement from Milosevic supporting the Contact Group Plan:

The Bosnian Serb Republic could never have been formed without the help of FRY [FRY (S/M)]. The very least that the Yugoslavs can expect from the Bosnian Serbs is that they save them from further sanctions. There are no moral grounds whatsoever to justify additional sacrifices from the FRY and the entire Serbian people.<sup>169</sup>

Nonetheless, the Contact Group plan collapsed as the conflict in Bosnia-Herzegovina and Croatia spiralled out of control.

In May 1995, the Croatian Army, utilizing their newly acquired tanks, artillery, and fighter aircraft, routed the Croatian Serbs out of the Krajina. Within the next few months, the BSA would take Zepa and Srebinica, NATO would mount its largest airstrike in history, and the Bosnian Federation would retake territory from the BSA. These actions, in large part, solved the partition of territory problem within Bosnia-Herzegovina.

Owen summarizes his experience with economic sanctions and offers the following recommendations:

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<sup>169</sup>Ibid., 319

[The Security Council should] have recognized economic sanctions as being a far more crucial lever for peace than was the case in the former Yugoslavia. There [should] have been a better appreciation within the Council of sanctions as both a stick and a carrot. They are usually applied too late and too weakly and maintained for too long. Economic sanctions were applied far too slowly on the FRY (S/M) and were soon ineffective. . . Financial sanctions should have been applied on the FRY (S/M) as part of the first sanctions package in May 1992. They finally did come into action at the end of April 1993; trying to avoid them was the key factor influencing Milosevic to endorse VOPP. Conversely, a greater readiness in the Security Council to offer Milosevic an inducement by suspending some sanctions might have been more forthcoming if all members had been accepting responsibility on the ground [referring to the lack of troop commitments to enforce the VOPP, specifically referring to the United States].<sup>170</sup>

## 2. Dayton Peace Accord

The negotiation leading up to the Dayton Accords had gone adrift. While Milosevic “hated sanctions” and wanted them lifted, by the fall of 1994 Britain, France, and Russia were debating whether or not to ease, or outright eliminate, the sanctions regime.<sup>171</sup> On the other hand, U.S. Vice President Gore, Leon Fuerth, and Madeleine Albright were staunch supporters of the hard-line approach on sanctions against the FRY (S/M).<sup>172</sup>

As Operation DELIBERATE FORCE (NATO’s largest airstrike on the BSA) commenced on 30 August 1995, Holbrooke and his negotiating team were in Belgrade meeting with Milosevic. This meeting was critical for two reasons. First, Milosevic produced what has now been called the ‘Patriarch Paper.’ This document, witnessed and

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<sup>170</sup>Ibid., 398.

<sup>171</sup>Holbrooke, *To End a War*, 88.

<sup>172</sup>Leon Fuerth is the U. S. “sanctions czar.” Fuerth is Vice President Gore’s National Security Advisor and oversees sanctions against other countries, including Iran and Iraq. Responsibility for sanctions policy was taken away from the U.S. State Department in 1993 and given to Fuerth, apparently because of State’s failure to manage them properly. Ibid.

signed by Patriarch Pavle, the leader of the Serb Orthodox Church, creates a joint FRY (S/M)-Bosnian Serb delegation to future negotiations.<sup>173</sup> With this agreement, the “splitting of the Serbs” had finally taken place. Second, as NATO bombs were being dropped on BSA positions, Holbrooke noted that Milosevic’s main concern was sanctions relief, not bombing relief, that he sought in exchange for the Patriarch Paper.<sup>174</sup> Milosevic backed his intentions up by agreeing to a critical concession, signed on 04 September 1995, that Bosnia-Herzegovina would “continue its legal existence with its present borders and continuing international recognition.”<sup>175</sup>

Almost concurrent with the NATO air strikes, the Bosnian Federation went on the offensive, adding further military and political pressure on the Serbs. While Milosevic pressed for a ceasefire, Holbrooke delayed the signing in order to let the Muslims and Croats re-capture more territory from the BSA. Finally, on 10 October 1995, the ceasefire was signed. In the Dayton Accords’ preparatory meetings, Milosevic made a “strong effort to get the sanctions lifted or suspended prior to Dayton.”<sup>176</sup> This request was rejected, as Hobrooke speculated that sanctions could be of further use during the negotiations and implementation of a peace accord.

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<sup>173</sup>Ibid., 105.

<sup>174</sup>Ibid., 108.

<sup>175</sup>Ibid., 129.

<sup>176</sup>Ibid., 211.

As the Dayton Accords commence on 01 November 1995, the presidents of Croatia, Bosnia-Herzegovina, and the FRY (S/M) each his priority clear. For Tudjman, it was eastern Slavonia (the last Croatian territory held by the Serbs). For Izetbegovic, a number of issues, but mainly the acquisition of lost territory. For Milosevic, it was sanctions. Secretary of State Warren Christopher offered the suspension of sanctions upon the initialing of an agreement, rather than a formal signing. Holbrooke noted, "This small change in our position would give Milosevic more incentive to reach agreement in Dayton, and simultaneously relieve some of the strain within the Contact Group over the sanctions issue."<sup>177</sup>

Sanctions relief became a main negotiating point for Milosevic. For example, in every meeting, he sought for the natural gas and heating oil to be delivered (via pipeline) from Russia in order to heat Belgrade homes. When negotiations reached a standstill over the creation of a Muslim-controlled, Sarajevo to Gorazde corridor, the United States threatened to continue sanctions unless the Serbs complied. Finally, Tony Lake, U.S. National Security Advisor, modified the sanctions relief offer to Milosevic. Sanctions would be suspended at the initialing of an agreement, but the lifting of sanctions would occur only with the implementation and compliance with an agreement.<sup>178</sup> Finally, the Dayton Peace Accord was signed on 21 November 1995.<sup>179</sup>

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<sup>177</sup>Ibid., 236.

<sup>178</sup>Ibid., 282.

<sup>179</sup>The Bosnian Serbs refused to initial the agreement at the Dayton Conference. However, upon returning to Belgrade, Milosevic obtained the Bosnian Serb initials, including Karadzic's, and delivered them to Holbrooke.

Sanctions continued to be used during the implementation of Dayton. Holbrooke threatened Milosevic with the renewal of sanctions if he did not remove Karadzic from the Republic of Srpska Presidency and as leader of the SDS, the ultra-nationalist Bosnian Serb political party. Milosevic removed Karadzic from office the following day. The September 1997 national elections placed a moderate Serb in charge of the Bosnian Serb government. In return, the United States began to release previously frozen aid funds.<sup>180</sup> The outer wall of sanctions and the threat of renewed sanctions continue to be used to facilitate the implementation of the Dayton Peace Accords. Further, sanctions are being used in the current crisis in Kosovo.

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<sup>180</sup>Ibid., 357.

## V. CONCLUSION

The signing of the Dayton Peace Accord in November 1995 ended the war in Bosnia-Herzegovina and thus, the achievement of a major foreign policy goal in the Balkans. The UN Security Council determined that sanctions “may well have been the single most important reason for the Government in Belgrade changing its policies and accepting a negotiated peace agreement in Dayton, United States of America, in November 1995.”<sup>181</sup> In light of the military action in Bosnia-Herzegovina – specifically NATO airstrikes, the Croatian offensive in the Krajina, and the Federation offensive – the UN’s findings may be open to challenge. Nonetheless, even if sanctions were not the decisive factor, they were at least a contributing factor in pressuring the FRY (S/M) government to abandon its policy of a Greater Serbia. The fact that Milosevic signed the VOPP in March 1993 and that Belgrade severed its ties with the Bosnian Serbs in 1994 in return for sanctions relief, both prior to NATO airstrikes and the Federation offensive in 1995, indicate that sanctions were at least successful in coercing Milosevic to change his policies.

The UN report’s conclusion that sanctions modified the behavior of the Serbians appear to be accurate and is echoed by military analyst Edward Luttwak. Luttwak notes, “In a 1995 article in the influential journal *Foreign Affairs* Luttwak argued that sanctions ‘modified the conduct of Belgrade’s most immoderate leadership’ and ‘induced whatever

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<sup>181</sup>UN Security Council, *Report of the Copenhagen Round Table*, 24 September 1996.

slight propensity has been shown to negotiate.”<sup>182</sup> To summarize, sanctions brought Milosevic to the peace table. First, representing the FRY (S/M) at the VOPP negotiations in 1993 and second, representing the FRY (S/M) and the Bosnian Serbs during the Dayton negotiations.

The factors that made sanctions successful in the case of the FRY (S/M) have been identified using HSE’s political and economic variables. Of the eleven variables, six political and five economic, HSE identify that lead to a favorable sanctions episode, all were present in the case of the FRY (S/M).

In regards to the political variables, companion policies – covert action, quasi-military action, and regular military action – were successful against the Serbians. The covert arms to the Croats and Muslims coupled with NATO airstrikes tilted the balance on the battlefield in favor of the Croatians and the Bosnian Federation. The duration of the sanctions was within HSE’s findings and significant international cooperation existed during the sanctions episode. International assistance to the FRY (S/M) was virtually non-existent which further exacerbated the FRY (S/M)’s acute political and economic problems. Finally, the sender countries’ prior relations with the FRY (S/M) were neutral to good. Relations and trading practices developed with the FRY (S/M) during World War II and the Cold War era or developed because of strong ethnic ties (the Russian-Slavic connection), made the sanctions much more effective.

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<sup>182</sup>Edward Luttwak’s article in *Foreign Affairs*, quoted in Fourth Freedom Forum, *The Case of Yugoslavia* [on line] (The Fourth Freedom Forum: Fall 1997, accessed 10 September 1998); available from <http://www.goldendome.net/u/fourthfreedom/inforum/yugo.html>; Internet.

In regards to the economic variables, the sanctions placed a debilitating cost on the FRY (S/M) as indicated by the dramatic decline in the country's GDP. As mentioned earlier, the breakup of the former Yugoslavia may bear responsibility in this decline. Given that is the case, at the very least, economic sanctions prevented the FRY (S/M) economy from recovering from the breakup. Economic sanctions also disrupted trade with the FRY (S/M)'s major trading partners. The NATO countries alone accounted for 61.7 percent of the former Yugoslavia's exports and 56.7 percent of its imports, and it was these countries who primarily provided the assets for sanction enforcement. Further, the sender countries' economies were much larger than that of the FRY (S/M). For example, the German and Italian economies were 98.7 percent larger than the FRY (S/M)'s economy. The size of the senders' economies in relation to the FRY (S/M)'s economy also indicates that the costs to the sender countries were minimal.

HSE offer nine recommendations or conditions for implementing a successful sanctions episode. While there are some minor exceptions, this case, in general, follows those recommendations. Their analysis states that countries in distress or are experiencing significant problems are far more likely to concede to the sender's demands, as was the situation in the FRY (S/M) case. Economic sanctions are also more effective against former friends and close trading partners; yet, the cost to the sender country is minimal while at the same time, imposing a heavy burden on the target. In the FRY (S/M) case, the target country had strong economic and trade ties to Europe, however, as a percentage of total trade, the various European nations did not have strong ties with the FRY (S/M).

The FRY (S/M) case's rejoinders to HSE's recommendations come in the areas of success and duration, the use of sanctions to achieve modest goals, the notion that unilateral sanctions are more effective, and that sender governments should think through their means and objectives before implementing sanctions.

HSE state that sanctions need to be imposed quickly and decisively to avoid evasion and the mobilization of domestic opinion; further, "sanctions imposed slowly or incrementally may simply strengthen the target government at home as it marshals the forces of nationalism.<sup>183</sup> One of the shortcomings in the UN sanction episode on the FRY (S/M) was that it was not decisive. Loopholes, namely the allowance for transshipments through FRY (S/M), existed in the initial sanctions regime (UNSCR 757). These loopholes, successfully utilized by the FRY (S/M), were not closed until UNSCR 820 was passed in April 1993. In regards to a reactive rise in nationalism, Milosevic's rise to power was based on nationalism and this factor would have been present whether or not sanctions were in place. Returning to the recommendation of imposing sanctions quickly and decisively, one must remember that Milosevic supported the VOPP prior to the tightening of sanctions by UNSCR 820. Whether or not he would have supported future peace initiatives without UNSCR 820 is not known. Intuitively, however, it makes sense to implement sanctions that are not suspect to circumvention.

The FRY (S/M) case represented one where the sender countries were trying to extract a major policy change from Milosevic. HSE conclude that sanctions have a greater

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<sup>183</sup>HSE, *Economic Sanctions Reconsidered*, 100.

chance for success if the policy change being sought was modest in nature. This raises the question of whether the other variables in the case have a stronger influence on the outcome of a sanctions episode. In other words, if the presence of other variables is so predominant, then they outweigh favorable variables that are not present in the case. For example, the 58.3 percent drop in GDP the FRY (S/M) experienced from 1990-1993 far exceeds HSE's findings that the target's cost should be 4.5 percent (for cases seeking major policy changes). Whether the predominance of one favorable variable may compensate for the absence of another is a topic for further research.

HSE's recommendation that sanctions should be unilateral is one of their most controversial recommendations. However, one policy analyst states, "In today's global economy, foreign rivals quickly and easily replace American companies to meet the needs of a target country's market."<sup>184</sup> In fact, the HSE study does indicate a sharp decline in success from 1970 to 1990 when the United States implemented unilateral sanctions. Their overall finding from the 115 cases, however, indicate that multilateral sanctions are not necessarily better. Written in 1990, their finding may be subject to revision due to the emergence of the global marketplace and declining U.S. hegemony. In the FRY (S/M) case, multinational (as well as multi-nongovernmental agency) cooperation existed and made the sanction episode much more effective.

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<sup>184</sup>Robert P. O'Quinn, "A User's Guide to Economic Sanctions," *The Backgrounder* [on line] (The Heritage Foundation: 25 June 1997, accessed 28 April 1998); available from <http://www.heritage.org/heritage/library/categories/trade/bg1126.html>; Internet.

HSE also recommend that sender governments should think through their means and objectives before implementing sanctions. The present use of sanctions is reactionary and without thought in regards to objectives and means. This author terms this use as the Curtis LeMay-approach to sanctions.<sup>185</sup> Sanctions need to be thought out prior to their use. Clear-cut goals and objectives must be defined and communicated to the target country. Further, a potential target country's economic vulnerabilities must be identified to determine whether or not sanctions would be effective. For example, the FRY (S/M) was vulnerable to sanctions due to their reliance on foreign trade. Intelligence agencies could play a crucial part in defining these vulnerabilities. Further, if financial sanctions are determined to be a more effective tool of coercion, then intelligence agencies could use their collection assets to identify the vulnerabilities of a target country and its leadership. As a result, sanctions could be targeted against the target country's leadership, bypassing the general population or 'non-combatants,' to use a military term.

Finally, regarding HSE's recommendation that sanctions be quick and decisive, reform is needed within the United Nations in order to quickly and efficiently implement sanctions. Slow or inadequate monitoring and enforcement have weakened UN-mandated sanctions. This was certainly true with the delayed establishment of the SAM-teams monitoring the FRY (S/M) border. The maritime interception operation in the Adriatic also took time to establish itself. A timely imposition of sanctions would help to prevent the

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<sup>185</sup>U.S. Air Force General who was the first commander of the Strategic Air Command. Le May was an advocate of strategic bombing, both conventional and nuclear.

target country from seeking out trade alternatives to the sanctions and adopting measures that would circumvent the sanctions regime.<sup>186</sup>

Economic sanctions played an important role in the termination of hostilities in Bosnia-Herzegovina. They continue to be used against the FRY (S/M) to coerce its support to the implementation of the Dayton Peace Accord in Bosnia-Herzegovina as well as human rights concerns in the FRY (S/M) province of Kosovo. While this thesis finds a favorable analysis on the use of sanctions against the FRY (S/M) in achieving peace in Bosnia-Herzegovina, it is not a blanket endorsement of the use of economic sanctions. Sanctions may have reached a point of diminishing returns, as indicated by the return to power of Bosnian Serb nationalists in the recent Bosnia-Herzegovina election. Further, the threat of re-imposing trade sanctions did not seem to dissuade the FRY (S/M) from persecuting ethnic Albanians in Kosovo, nor did they coerce the Bosnian Serbs to support a single peace plan to end the war in Bosnia-Herzegovina. A complete analysis, including economic, political, social, and cultural studies, of the target country must be conducted prior to the imposition of sanctions if they are to have a chance in achieving foreign policy goals.

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<sup>186</sup>For more detailed recommendations regarding UN sanctions reform, see Strembleau, *Sharpening International Sanctions* and Hull, *Imposing International Sanctions*.



## **APPENDIX A: MARITIME ENFORCEMENT OF ECONOMIC SANCTIONS**

### **A. INTRODUCTION**

UN sanctions against Belgrade highlighted the importance of a target's volume of trade in determining its vulnerability to sanctions. A target whose foreign trade accounts for a large share of its total economic activity is more susceptible to sanctions. The FRY (S/M)'s presanctions economic statistics show exports and imports represented 19 and 23 percent of the economy, respectively, indicating a tangible reliance on trade.<sup>187</sup> The transport method capable of economically moving large shipments of bulk goods, such as oil and grain, is via merchant vessels. After the breakup of the former Yugoslavia, the FRY (S/M) was left with only one significant port facility, the port of Bar, to handle such traffic. NATO's maritime interception operation in the Adriatic targeted and shut down this trade center of gravity. The maritime interception operation was a critical component of making economic sanctions effective against the FRY (S/M). This annex will identify the contributions the maritime intereception operation made to the sanction episode on the FRY (S/M).

The use of the naval blockade as a means of enforcing embargoes has been a part of naval operations for over four centuries.<sup>188</sup> From the Napoleonic Wars to World Wars One and Two to the Gulf War and the conflict in the former Yugoslavia, naval forces have been and will become increasingly important in achieving national foreign policy goals and

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<sup>187</sup>Department of State, Interagency Task Force, *UN Sanctions Against Belgrade: Lessons Learned for Future Regimes*, Department of State Publication 10357, 1996, 6.

<sup>188</sup>Thomas, "The Use of Naval Forces," 1.

stability in the international system by way of maritime interception. In the post-Cold War era, maritime interception in support of embargoes provides a flexible tool in enforcement. “That flexibility is achieved in part from maritime advantages,” according to U.S. Admiral Frank B. Kelso II, in that “the inherent flexibility and mobility continue to give our nation’s leaders the greatest variety of possible responses. Naval forces can sail in international waters without anyone else’s permission.”<sup>189</sup> This “new” tool is one that is devised for “‘a new security environment,’ where the focus of U.S. Navy missions will be ‘nation-building, peacekeeping, humanitarian assistance, oceanographic research, and disaster relief.’”<sup>190</sup> In that new security environment, maritime forces “are going to be an *enabling force to help find a political solution* [author’s emphasis] rather than a coercive force in a traditional sense [force itself will not be the solution].”<sup>191</sup> In the case of the former Yugoslavia, maritime interception in applying the sanctions regime had the aspects of peacemaking and conflict prevention. As it has been shown in the proceeding chapters, economic sanctions had a crucial role in the termination of conflict in Bosnia-Herzegovina and maritime interception was a critical component in the enforcement of those sanctions.

This annex will briefly offer a summary of the historical international legal framework that permits the use of economic sanctions and embargoes as foreign policy tools. From there, a historical background on the sanctions imposed against the former Yugoslavia

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<sup>189</sup> Admiral Frank B. Kelso II, USN, Keynote Address of the Twelfth International Seapower Symposium 35, U.S. Naval War College (1993), quoted in Fielding, *Maritime Interception*, 339.

<sup>190</sup>Ibid.

<sup>191</sup>Ibid., 341.

and how U.S. and NATO maritime forces enforced those sanctions will be described. The operational strategy of the Alliance's navies will then be described in terms of *Some Principles of Maritime Strategy* by Sir Julian S. Corbett. Finally, the effects that maritime interdiction had on the former Yugoslavia will be addressed by looking at the tonnage and value of the material intercepted.

## B. A LEGAL FRAMEWORK

The legal framework authorizing the use of blockades has developed over the centuries of naval warfare. The legal framework establishing the lawfulness for today's use of blockades is grounded in five conventions or treaties: the 1856 Declaration of Paris, the 1909 Declaration of London, the United Nations Charter, the 1982 United Nations Convention on the Law of the Sea, and the Law of Armed Conflict Principles. The principles set forth in these documents were primarily derived from attempts to codify customary international laws of the sea, however, due to the complexities of innovations in naval warfare, as well as political realities in times of war, this codifying process has proven to be problematic.

In codifying customary law, the Declarations of Paris and London served two major purposes. The first established the legal basis that would allow one belligerent to suppress the adversary's ability to sustain its ability to wage war. The second purpose was to specify the rights of neutrals during armed conflict. This second purpose was primarily in recognition of the need of neutrals to carry on world trade and maintain a stable world economy.

## **1. 1856 Declaration of Paris**

The Declaration of Paris “establishes the basic principle that blockades, in order to be binding, must be effective” and that they “must be operationally adequate to prevent ingress or egress from the blockaded coastline.”<sup>192</sup> The third principle states that the blockade must have an adequate number of ships with the proper weapon systems and proper positioning in order to effectively enforce the blockade. From this principle evolves the form of blockade as a “line or cordon of ships, preferable within sight of each other, positioned off the immediate coast of the blockaded party.”<sup>193</sup> With this form of blockade established, the legality of patrols and distant blockades were initially questionable. The Allied distant blockades of Germany during World War I and World War II answered this legal question, thus establishing another legally acceptable form of naval blockade.

## **2. 1909 Declaration of London**

The Declaration of London went to great lengths to provide a comprehensive list of the basic legal requirements of blockade. The Declaration established five basic principles of a blockade:

- The right to establish a blockade is limited to states openly engaged in hostilities.
- The area to be blockaded and the start date must be promulgated.
- The blockade must be enforced with adequate forces, meaning it cannot simply be declared.

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<sup>192</sup>Ibid., 3.

<sup>193</sup>Ibid., 4.

- The blockade must apply to all vessels, regardless of nationality.
- Neutral rights must be respected – the blockade cannot be extended to neutral ports.<sup>194</sup>

In addition, the distant blockade is prohibited by Article 17's requirement that capture take place within the area of operations or warships enforcing the blockade. The blockade's area of operations is defined in Article 1: “[a] blockade must not extend beyond the ports and coasts belonging to or occupied by the enemy.”<sup>195</sup>

Finally, the London Declaration categorizes the material that may be considered contraband and therefore, captured. The Declaration outlines three categories: articles that constitute absolute contraband, articles that constitute conditional contraband, and articles that may not be treated as contraband. Articles in the absolute and conditional categories may be declared as contraband without notice to the adversary.

While the London Declaration was not ratified, the Allies in World War I adopted and applied the principles of the Declaration at the outbreak of the war. Due to the nature and gravity of the war, the Allies abandoned these principles in 1916 after determining them to be too restraining. Nonetheless, the Declarations of Paris and London remain an important part of the U.S. Navy's doctrine. “This is acknowledged and reflected in *The Commander's Handbook on the Law of Naval Operations of the U.S. Navy (Commander's Handbook)*”

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<sup>194</sup>Thomas, “The Use of Naval Forces,” 3.

<sup>195</sup>Fielding, *Maritime Interception*, 4.

where the blockade principles in this publication are the basic principles of blockade established in the Declarations of 1856 and 1909.<sup>196</sup>

### **3. United Nations Charter**

The UN Charter states that blockades, which is considered a use of military force, must be undertaken within UN Charter provisions. The UN considers a blockade as an act of aggression (under the UN's "Definition of Aggression"). However, the use of force is permitted under the Charter if "it qualifies as a valid measure of self-defense undertaken in accordance with Article 51, a measure authorized by the Security Council under Chapter VII generally or under Article 42 specifically; an enforcement action within a regional arrangement undertaken with the authorization of the Security Council under Article 53, or otherwise authorized by an organ of the UN."<sup>197</sup>

The status of neutrality is limited under the UN Charter, and effects the implementation and enforcement of sanctions. Neutrality is possible only when the Security Council does not designate an aggressor under Chapter VII. Once a state is designated an aggressor, "Article 2(5) obliges member states to assist the United Nations 'in any action it takes in accordance with the present charter, and shall refrain from giving any assistance to any state against which the United Nations is taking preventive or enforcement action.'"<sup>198</sup> Additionally, Article 49 obligates member states to provide mutual assistance in carrying out

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<sup>196</sup>Ibid.

<sup>197</sup>Ibid., 6.

<sup>198</sup>Ibid.

measures decided upon by the Security Council. In the case of a veto on enforcement action (under Chapter VII) by the Security Council, however, states may retain their neutrality.

By including embargoes as an act of force, the United Nations has set guidelines on the enforcement of economic sanctions by naval forces. Further, it has mandated that neutral, member states must comply with enforcement resolutions passed by the UN Security Council.

#### **4. 1982 UN Convention on the Law of the Sea**

This convention established the extension of the three nautical mile territorial sea to twelve nautical miles.<sup>199</sup> Additionally, it also established exclusive economic zones (EEZ) and contiguous zones (CZ). While the extension of territorial seas to 12 nautical miles removed over 3,000,000 square miles of ocean from hostile action, EEZ's and CZ's were recognized as high seas, thus allowing belligerent rights such as visit, search, and seizure to be asserted in these areas.<sup>200</sup> This Convention also establishes critical international straits throughout the world, as well as rules restricting the obstruction of those straits by belligerents or neutral countries. For example, belligerent states may not use neutral or international straits as a place of sanctuary or a base of operations and must refrain from the use of force in those straits.

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<sup>199</sup>The concept of territorial waters having a three mile limit was obtained from the range of a cannon shot.

<sup>200</sup>Ibid., 8.

The 1982 Convention of the Law of the Sea “has been adopted as the customary practice by the majority of maritime nations. The effect has been to expand the area to be covered in enforcing a blockade if no infringement of the territorial sea is to take place.”<sup>201</sup>

## 5. Law of Armed Conflict

While a blockade may conform to the legal and customary laws of the seas as described above, naval forces are still required to follow the basic principles of the law of armed conflict. Those principles are military necessity, humanity, and proportionality.<sup>202</sup>

In summary, the Conventions of London and Paris were attempts to codify the customary laws of the sea. After some modifications, the U.N. Charter and the Law of the Sea Convention helped to legitimize the codification of customary laws of the sea. All of which helped established the legal framework for blockades. This process has been somewhat problematic, however. Historical examples, such as the implementation of the distant blockade in World War I, show us that the principles of law will be transgressed if the belligerent nation deems it necessary for its survival. In the past, the specific features of the conflict dictated the form that the blockade takes and as a result, changed the customary and codified laws of the sea. “The only convention or treaty principles that have been preserved in practice are those that proved workable or practical considering the manner of warfare and the state of weaponry technology at the time.”<sup>203</sup>

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<sup>201</sup>Thomas, “The Use of Naval Forces,” 11.

<sup>202</sup>Department of the Navy, *Commander’s Handbook on the Law of Naval Operations*, NWP 1-14M FMFM 7-10 (1996).

<sup>203</sup>Fielding, *Maritime Interception*, 10.

In the case of the embargo on the former Yugoslavia, the form of the blockade strictly adhered to the conventions as established by the U.N. and certain provisions of the London and Paris Conventions. That strict adherence was due to the fact that those naval forces imposing the blockade were not belligerents in the Yugoslavian conflict. Rather, they were conducting a peacemaking operation vice being belligerents in an armed conflict. As such, the blockading forces maintained strict adherence to established laws of the sea.

#### **C. MARITIME INTERCEPTION – ENFORCING THE SANCTIONS**

The Security Council adopted Resolution 787 in an attempt to tighten and enforce the sanctions against Serbia and Montenegro. UNSCR 713 and 757 only had monitoring provisions in them, while Resolution 787 allowed maritime forces to halt, inspect, or divert vessels suspected of breaking 713 or 757. Resolution 787 was adopted in July 1992.

Prior to 787's adoption, NATO and the Western European Union (WEU) began monitoring shipments into Serbia via the Adriatic Sea and the Danube River. This operation began in July 1992 and was entitled MARITIME MONITOR (NATO) and SHARP VIGILANCE (WEU). NATO warships (from STANAVFORMED) patrolled off the Montenegrin coast while the WEU units patrolled the Straits of Otranto. These operations only monitored the compliance to UNSCR's 713 and 757.

Adopted in November 1993, Resolution 787 addressed the leaks in sanctions by: "1) instituting an interception operation in both the Adriatic and the Danube with riparian states . . . 2) require the transshipment of vital commodities . . . be approved on a case-by-case basis by the Sanctions Committee, and 3) stationing observation posts on the borders of Bosnia and

Herzegovina.”<sup>204</sup> As a result, the North Atlantic Council announced that NATO would coordinate and cooperate with WEU forces in the implementation of UNSCR 787. This resulted in the Operations MARITIME GUARD (NATO component) and SHARP FENCE (WEU component). MARITIME GUARD was conducted in the northern Adriatic, while SHARP FENCE was established in the Strait of Otranto. By June 1993 and in response to UNSCR 820, the NATO and WEU operations were combined to form Operation SHARP GUARD.

SHARP GUARD was initiated to conduct operations to monitor and enforce compliance with UN sanctions in accordance with UNSCR 713, 757, 787, and 820. Its maritime forces, organized under Combined Task Force 440 (CTF 440) prevented all unauthorized shipping from entering the territorial waters of the FRY (S/M) and all arms from entering the former Yugoslavia.

CTF 440 was formed with NATO forces, mainly the Standing Naval Force Mediterranean and the Standing Naval Force Atlantic, together with the WEU Contingency Maritime Force. Organized in combined task groups, NATO and WEU ships conducted continuous patrolling in the southern Adriatic Sea to enforce the embargoes. They established direct communication with masters of transiting vessels to determine the nature of their cargo, its origin, and destinations. Vessels entering or leaving the territorial waters of FRY (S/M) were halted and inspected to verify compliance with UN Security Council resolutions or were diverted to an approved port or anchorage. The same procedure was applied for

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<sup>204</sup>Ibid., 239.

ships enroute to other ports in former Yugoslavia. Vessels not in compliance were escorted to the Italian territorial waters and turned over to national authorities.

The overall operational control of Sharp Guard was delegated to Admiral Mario Angeli, Italian Navy, as Commander, Combined Task Force 440 (CCTF 440). He was assisted by Rear Admiral Gianfranco Coviello, Italian Navy, as Deputy CTF 440. Admiral Angeli is the Commander of Allied Naval Forces Southern Europe. As CCTF 440, his staff was complemented by a WEU staff element.

Surface ships operated within two operational combined task groups (CTG) at sea while conducting operations in the Adriatic Sea. A third task group had responsibility for ships conducting training or port visits. Operational responsibilities rotated among the task group commanders. During the latest period of embargo enforcement there were two operational task groups, commanded by Commodore Frank Ropers, German Navy (COMSTANAVFORMED) and Rear Admiral Nicola Azzolini, Italian Navy (COMWEUCONMARFOR). Maritime Patrol Aircraft (MPA) operated under operational control of CTF 440 through the Commander of Combined Task Force 431, Rear Admiral John R. Ryan, U.S. Navy.

Nations contributing maritime forces were Belgium, Canada, Denmark, France, Germany, Greece, Italy, The Netherlands, Norway, Portugal, Spain, Turkey, United Kingdom, and the United States. The participating surface units were primarily frigates and maritime patrol aircraft were P-3C Orions, Atlantiques, or Nimrods. An U.S. Navy Aegis cruiser on anti-air warfare duty ("Red Crown") and a NATO AWACS aircraft also supported these units.

SACEUR established interception procedures on behalf of the nations of NATO and WEU. The guidelines set specific steps as follows:

From 22 November 1992 all merchant ships entering the Adriatic Sea and ships sailing from ports in the Adriatic are to contact the warships operating the inspection regime when approaching parallel 39 degrees 55 minutes north (Otranto Channel) calling the inspection coordinator on VHF Channel 16 using the callsign "watchman." Ships should be prepared to provide the following information:

- name
- international callsign
- flag
- name of owners
- last port of call and date of departure
- destinations(s) in the Adriatic and ETA
- general description of cargo
- ETA at parallel 39 degrees 55 minutes north
- for ships leaving the Adriatic, date, time of passing
- parallel 39 degrees 55 minutes north, on inbound passage<sup>205</sup>

If the merchant vessel was uncooperative, each SHARP GUARD unit had two boarding and inspection teams. The boarding team takes control of the ship and then the inspecting team goes aboard and checks the vessel for compliance.

While the initial operation was solely one of monitoring compliance, the eventual results from these maritime interception operations were very successful in enforcing the economic sanctions on the FRY (S/M) and the arms embargo on the former Yugoslavia. The specific effects these operations had on the FRY (S/M) will be addressed in the section following a description of the operational characteristics of maritime interception in the Adriatic.

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<sup>205</sup>Ibid., 257.

#### **D. OPERATIONAL STRATEGY**

Operation SHARP GUARD (1992 – 1996) consisted of two areas of operations. The first one was situated off the coast of Montenegro, just outside of the 12 nautical mile territorial seas. This area contained five operating boxes that were situated parallel to the Montenegrin coastline. The second one was placed abreast the Strait of Otranto, a designated international strait. This area was also divided into operational boxes. Each box in the two operating areas usually had a warship in it.

The purpose of the Montenegrin area was two fold: first, to prevent merchant vessels from entering and exiting Montenegrin ports and second, to ensure the Yugoslav Navy did not sortie in order to interfere with the maritime interception operations. The Otranto area's main purpose was to intercept (board, if necessary) merchant ships traveling through the Otranto chokepoint. In this operation, there were effectively two types of blockades, a naval blockade and a commercial blockade. Sir Julian Corbett describes the differences in these two types of blockades in his book *Classics of Sea Power*.

Corbett describes two types of blockades, the naval and commercial. A naval blockade is to “seek either to prevent an enemy’s armed force [from] leaving port, or to make certain it shall be brought to action before it can carry out the ulterior purpose for which it puts to sea.”<sup>206</sup> In the case of the FRY (S/M), the purpose of the naval blockade along the Montenegrin coast was to prevent their navy from putting to sea in order to disrupt the maritime interception operations. Because the mission, in general, is a peacemaking mission,

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<sup>206</sup> Julian Corbett, *Some Principles of Maritime Strategy* (London: Longmans, Green, and Co., 1911; reprint, Annapolis, MD: United States Naval Institute, 1988), 92 (page citations are to the reprint edition).

the blockade was not meant to entice the adversary to armed action. The Montenegrin coast operating area also was commercial in nature, but as a secondary role.

A commercial blockade's "immediate object is to stop the flow of the enemy's sea-borne trade, whether carried in his own or neutral bottoms, by denying him the use of trade communications."<sup>207</sup> The SHARP GUARD operating area in the Straits of Otranto was a commercial blockade, as the naval forces patrolled this choke point and intercepted any merchant vessel passing through.

Corbett provides two other categories of blockades, the close blockade and the open blockade. While the definitions of both are self-explanatory, their purpose is not. The close blockade's "dominating purpose will usually be to prevent the enemy's fleet acting in a certain area and for a certain purpose."<sup>208</sup> Again, the forces operating off the coast of Montenegro were preventing the Yugoslav Navy from disrupting the open, commercial blockade in the Straits of Otranto.

During the NATO's Operation SHARP GUARD, close and open blockades were used to implement economic sanctions on the Former Yugoslavia. The close blockade was conducted off the Montenegrin coast in order to keep an "eye" on Yugoslav naval movements. This allowed for the enforcement of the economic embargo in the Straits of Otronto. The close blockade kept the Yugoslav Navy in port and away from other NATO units conducting embargo enforcement. Corbett declared the close blockade was probably an

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<sup>207</sup>Ibid, 123.

<sup>208</sup>Ibid., 257.

antiquated method due to “new” technologies such as the torpedo and mine (in 1911 terms). However, NATO’s naval force was technologically and operationally superior to the Yugoslav naval force, thus allowing it to conduct a close blockade. The Yugoslav Navy, in comparison, has the following order of battle:

- **Submarines:** (2) Sava SS, (3) Heroj SS, and (5) Una SSM mini-subs.
- **Frigates:** (2) Kotor FF, (2) Split FF. Both based on Soviet built Koni FF hulls and include the SS-N-2B Styx surface to surface missiles.
- **Guided Missile Patrol Boats:** (5) Koncar PTG with 2 X SS-N-2B Styx; (4) OSA I with 4 X SS-N-2A
- **Patrol Boats:** (12) Shershen PTB, torpedoes only<sup>209</sup>

Nonetheless, with today’s preponderance of economic sanctions, both forms of blockade continue to be relevant methods of naval warfare when countering a weaker and less capable force.

#### E. OUTCOMES OF MARITIME INTERCEPTION

Bulk goods, such as oil and grain, typically are shipped internationally via merchant vessels – the transport method capable of economically moving large shipments.<sup>210</sup> The port facility at Bar was the FRY (S/M)’s only significant presanctions port. Bar could handle merchant vessels of modest size, whereas the FRY (S/M)’s other Adriatic ports could accommodate only small vessels and were not connected by internal rail lines to other parts of Serbia and Montenegro. Therefore, Belgrade relied on it for a good portion of its

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<sup>209</sup>“Yugoslav Navy,” *Janes Annual Defense Review* (London: Janes Publishing, 1996).

<sup>210</sup>Department of State, *UN Sanctions Against Belgrade*, 4.

international trade. With only one major port to blockade, not only were embargo operations much easier, but the effects on the FRY (S/M)'s economy were much more severe.

During the period 22 November 1992 to 18 June 1996, NATO and WEU forces challenged, boarded or diverted to a port for inspection the following numbers of merchant vessels:

Challenged – 74,192

Boarded and inspected at sea – 5,951

Diverted and inspected in port – 1,480

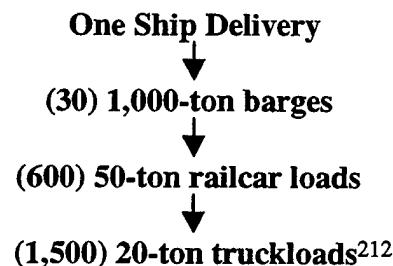
These results were achieved by:

Ship days spent at sea – 19,699

Maritime Patrol Aircraft sorties – 7,151<sup>211</sup>

Other than an isolated incident in early 1994, sea-borne trade to FRY (S/M) was effectively eliminated through the Adriatic.

To gain an appreciation on the amount of goods a ship can carry, the following example is provided. The requirements for transporting 30,000 metric tons are:



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<sup>211</sup>North Atlantic Treaty Organization, "Sharp Guard Fact Sheet" [on line] (accessed 21 March 1998); available at <http://www.nato.int/ifor/un/un-resol.htm>; Internet.

<sup>212</sup>Department of State, *UN Sanctions Against Belgrade*, 6.

The maritime interception operation forced the FRY (S/M) to seek other routes for trade entering and leaving their country. Their options were via the Danube River, rail lines, and motor routes. Because of the limited amount cargo planes can carry, especially in comparison to one, 30,000 metric ton ship delivery, trade entering the FRY (S/M) by air, if any, was negligible.

While initially successful, trade on the Danube River was shut down by early 1994 when monitors were placed in Bulgaria and Romania (resulting from UNSCRs 787 and 820). Geographic conditions (extreme mountainous region) in the Balkans prevented numerous motor routes and rail routes from entering the FRY (S/M). FRY (S/M)'s reliance on seven rail connections to neighboring states made Belgrade reliant on moving goods via freight train. Again, UNSCRs 787 and 820 place monitors on those routes. Finally, the State Department's report states, "although Serbia [FRY (S/M)] had approximately 100 road connections with surrounding states, Belgrade counted on access to only a handful of these routes for shipping because most of these roads' contours, grades, or surfaces made them unsuitable for large-scale tractor-trailer movement."<sup>213</sup>

While it is difficult to place an exact value on the effects of the embargo due to the economic disruption caused by the disintegration of the former Yugoslavia, one can still look at the trade figures for each of new countries that emerged from the former Yugoslavia and intuitively see the dramatic impact that sanctions had on the FRY (S/M) economy (see table

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<sup>213</sup>Ibid., 9.

A-1). The following figures come from the International Monetary Fund's *Direction of Trade Statistics Yearbook*. All figures are in millions of U.S. Dollars.

**Table A-1. Trade Statistics for the former Yugoslavia,  
for 1991, in millions of U.S. Dollars**

	Exports	Imports
<b>Yugoslavia</b>	<b>13,953</b>	<b>14,737</b>

*Source: International Monetary Fund, Direction of Trade Statistics, 1996.*

1991 is the final year of trade statistics for the former Yugoslavia. There are no trade statistics available for 1992 for the countries that emerged from the former Yugoslavia. Table A-2 shows the trade figures for FRY (S/M), Croatia, Slovenia, Bosnia-Herzegovina, and Macedonia. Again, all figures are in millions of U.S. Dollars.

**Table A-2. Trade Statistics, in millions of U.S. Dollars**

	Exports			Imports		
	1993	1994	1995	1993	1994	1995
FRY (S/M)	4	46	39	88	185	249
Croatia	3,913	4,259	4,372	4,724	5,220	7,105
Slovenia	6,083	6,828	8,286	6,529	7,304	9,452
B-H	85	46	52	424	644	912
Macedonia	690	869	1,038	950	1,352	1,654

*Source: International Monetary Fund, Direction of Trade Statistics, 1996.*

While trade actually increased for the FRY (S/M) from 1993 to 1995, most of the increases can be attributed to the UNSC's partial easing of trade restrictions on FRY (S/M) in response to that country's compliance with various peace initiatives. On the whole, however, sanctions devastated FRY (S/M). Prior to the breakup, most of the industrial and manufacturing centers were located in Serbian areas of the former Yugoslavia. When comparing the FRY (S/M) trade levels to the trade levels of primarily agrarian Macedonia or war-torn Bosnia, one can see the effects of the sanctions.

## F. CONCLUSION

The maritime interception operation in the Adriatic attacked the FRY (S/M) trade center of gravity. The FRY (S/M) was then forced to seek other alternatives for its exports and imports, none of which were suitable or sufficient alternatives. Maritime interception had a major role in effecting foreign policy goals through the use of sanctions enforcement.

The crisis in the former Yugoslavia is the first major outbreak of hostilities in the post-cold war era. U.N. Secretary General Boutros Boutros-Ghali presented a program for peace in the post-cold era in his *Report of the Secretary-General on An Agenda for Peace* in July 1992. In this report, he contemplates greater involvement of the U.N. in the various phases of a crisis and encourages the participation of all local, national, regional, and international organizations that can assist in procuring peace and stability in a crisis area. The international response to the conflict in the former Yugoslavia characterizes this agenda. Maritime interception could figure significantly in the Secretary-General's proposals, "not only as a method of enforcing sanction, but as a device which moves the United Nations from preventive diplomacy and peacekeeping into peace enforcement."<sup>214</sup>

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<sup>214</sup>Fielding, *Maritime Interception*, 247.



## **APPENDIX B: NATO AIRSTRIKES IN BOSNIA-HERZEGOVINA**

February 28, 1994: U.S. F-16 fighters shoot down four Bosnian Serb warplanes violating the “no-fly” zone in central Bosnia, the first military strike by NATO in its 45-year history. Serbs do not react.

April 10, 1994: Two U.S. F-16s attack Bosnian Serb positions near Gorazde, a Muslim enclave and U.N.-designated “safe area,” under attack, 35 miles southeast of Sarajevo. Results are inconclusive.

April 11, 1994: Two U.S. Marine FA-18s attack Serb positions near Gorazde, reportedly destroying a tank. Serbs respond by capturing all strategic points around Gorazde.

Aug. 5, 1994: Two U.S. A-10 jets destroy an aging anti-tank weapon near Sarajevo, after Serbs seize heavy weapons from a U.N.-guarded compound. The weapons are later returned.

Sept. 22, 1994: NATO jets attack a Serb tank near Sarajevo after Serbs attack a French armored personnel carrier and defy U.N. demands to remove heavy guns violating a “no-weapons” zone around the city. Serbs respond by harassing peacekeepers, delaying aid convoys, grounding helicopter flights and shutting down the aid airlift to Sarajevo.

Nov. 21, 1994: NATO warplanes bomb the air base in Serb-held Croatia used by Serb planes to raid the neighboring U.N. “safe area” of Bihac in northwestern Bosnia. Serbs fire two surface-to-air missiles at two British Harrier jets flying over Bosnia. The missiles miss.

Nov. 23, 1994: About 20 NATO planes hit at least two Serb surface-to-air missile sites near Bihac. Warplanes hit one of the targets again because the first raid did not put it out of commission. Serbs take dozens of U.N. peacekeepers hostage.

May 25, 1995: NATO jets strike at Bosnian Serb ammunition depot near the Serb stronghold of Pale outside Sarajevo, after the Serbs refuse to return heavy weapons taken from UN-guarded collection sites.

May 26, 1995: NATO jets again attack Bosnian Serb ammunition dump near Pale. Serbs respond by taking more than 370 U.N. peacekeepers hostage, chaining some of them to possible NATO targets to prevent further airstrikes. After intervention by Serbian President Slobdan Milosevic, the Serbs release all the hostages in batches over several weeks. There are rumors the Serbs agreed to the release in exchange for pledges there would be no more airstrikes.

July 11, 1995: Dutch and American jets from NATO attack Bosnian Serb tanks south of the enclave of Srebrenica, an UN-declared “safe area” in an attempt to protect Dutch U.N.

peacekeepers and 30,000 people in the town. The Bosnian Serbs overrun the town, sending peacekeepers and refugees fleeing in panic.

August - September 1995: In response to the shelling of Sarajevo's central marketplace by the Bosnian Serb Army in August 1995, NATO executed Operation DELIBERATE FORCE, the largest air assault in the history of the Alliance. Also involved were Tomahawk missile strikes.

*Source:* "Yugoslavia NATO Chronology [on line]," Associated Press, n.d.; Accessed 27 April 1998; available from <http://www.milnet.com/milnet/yugochrn.htm>; Internet.

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